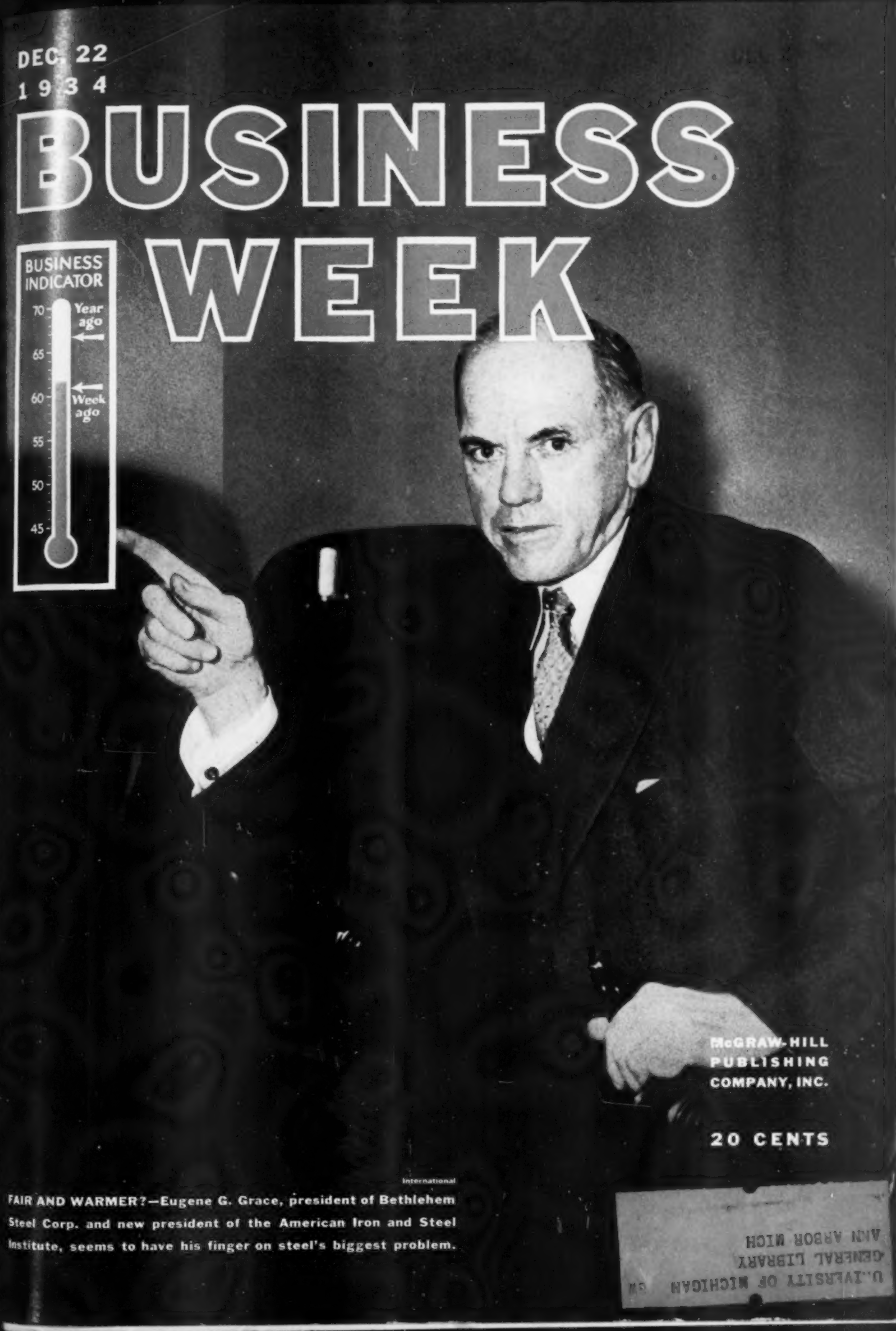
DEC. 22
1934

BUSINESS WEEK



International

FAIR AND WARMER?—Eugene G. Grace, president of Bethlehem Steel Corp. and new president of the American Iron and Steel Institute, seems to have his finger on steel's biggest problem.

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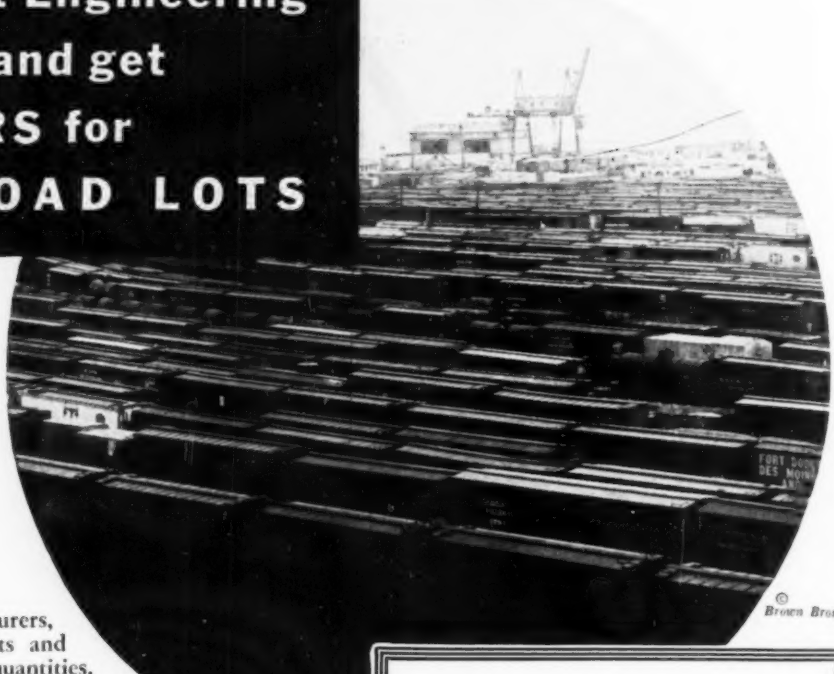

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TRUCK manufacturers, for example, buy parts and materials in huge quantities. One manufacturer's *monthly* purchases of just a few items (see table) fill six times the number of freight cars shown in the photograph.

This is only one of many groups of manufacturers reached through advertising in *Product Engineering*. This magazine serves the makers of machinery and "engineered" metal products, ranging from adding machines and household appliances, up to the heavier products like automobiles, power shovels, machine tools, etc.

Product Engineering readers are the engineering executives of their companies . . . . chief engineers, vice-presidents in charge of engineering, chief draftsmen, mechanical engineers, designing engineers, etc. These are the men who *create* their company's product. If a new alloy steel, or a different type of bearing, is to be used, it is almost always as a result of their initiative. The actual designs and specifications issue from their offices.

Once you sell the *Product Engineering* reader, you have landed a customer who buys continuously in large quantities. 8000 of these men subscribe to *Product Engineering*. It is their chosen professional paper. Total distribution is 9000 copies.

This is the key magazine for advertising parts, materials, finishes.

Here's a sample of what one well-known truck manufacturer purchases every month:

Gears	32 carloads
Pressed metal parts	400 carloads
Springs	70 carloads
Balls, for ball bearings	300,000
Rolls, for roller bearings	2,000,000
Plain bearings	7 tons
Universal joints	4 carloads
V-belts	7 miles
Fittings for lubrication	3 tons
Lock washers	3,750,000
Lock nuts	700,000
Alloy-steel bolts and fastenings	6 tons
Small pipe fittings	1.5 tons
Rubber parts (other than tires)	7 carloads
Molded parts (such as Bakelite)	7.5 tons
Plywood	1.5 carloads
Lacquer or paint	8 carloads
Die castings	4 tons
Aluminum	2 carloads
Alloy steels	8 carloads

PRODUCT ENGINEERING

330 West 42nd Street, New York
(Member A.B.C. and A.B.P.)

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Washington Bulletin

WASHINGTON *(By Business Week Staff Correspondents)*—Not only lower electric rates all over the country but decentralization of utility managements is definitely on the Roosevelt program. In the current Administration drive, holding companies stand where the middleman did in the economic oratory of some years back. The President clearly regards utility management costs as excessive and largely responsible for the present rate structure. Pleas that destruction of utility values would work havoc with banks and insurance companies meet his insistence that institutional utility investments are almost entirely in the underlying bonds of operating companies. His willingness to consider "prudent investment" as a yardstick for determining permissible utility earnings doesn't soften the attack much. An original investment so high that electricity cannot now be furnished at rates the President considers "low" will not look "prudent" to him, however the utility figures it.

THIS WEEK

What Roosevelt means by "prudent investment" in the utilities.

Devaluation gets another break in the Washington conferences.

Central bank club has been hung up on the wall again.

A chemical monkey wrench in the tariff machinery.

Devaluation Again

New Deal leaders are again talking about knocking the final 9¢ off the gold value of the dollar. One reason may be that Europe is listening and what it hears might check the flow of unwelcome gold to this country. Another may be that the Administration wants support in bringing pressure on proponents of the soldier bonus.

However, Treasury experts now believe they can get a bonus compromise which will cost the government $1.2 billion, and raising the gold price from $35 to $41.34 per oz. would yield a profit of about $1.5 billions.

Gold-Boosting Arguments

Other arguments for devaluation are the possibility of getting back at the depreciated yen—Japan holding gold at $65 per oz.—and disappointment over the silver-buying campaign which hasn't brought in anything like the amount of silver desired at prices the government wants to pay. Roosevelt wants a little further inflation and had hoped to get it by silver purchases, also to make a big profit on silver. Present conferences talk of at least deferring this program and getting both inflation and profit by further devaluing gold.

NRA Lets Off Steam

NRA hopes to let off so much steam in its open forum on major policies that there won't be much pressure left when the Congressional kettle begins to boil the Blue Eagle. Another significant NRA hope: To hand the cotton garment code back to the cotton garment industry soon.

Chemical Monkey Wrench

The chemical industry has thrown a monkey wrench in the bilateral trade agreement scheme, with its promise of a quarter-billion spending program if its future is not jeopardized by deals with chemical-exporting foreigners. Industry representatives have pointed out that the $25 millions spent for expansion last year and the $25 millions down for this year make only a drop in the bucket to what may come if their future is made secure. The prospect that the President can be won over by such arguments is strengthened by the fact that they drive directly at the point that is worrying him most—the failure of unemployment to shrink despite an obvious pickup in business.

Central Bank Out

There will be more government moves like that to lower interest rates on time deposits. The New Deal is out to force down the cost of capital for 3 reasons: to provide cheaper money for industry, to cut the cost of government financing, to deflate big incomes. The third is just a natural outgrowth of the first two, but it is in line with the New Deal idea of passing prosperity around—when it comes.

Evidence that the Treasury has already gotten its way with the bankers and is in control of the Federal Reserve Board and the Comptroller's office appeared again this week when the Viner report on the credit situation contained no reference whatever to the central bank idea. The club has served its purpose and has been laid aside.

Old-Age Pensions Ahead

Old-age pensions, despite apparent sidetracking by the House committees, are still hot prospects for congressional action. The path has been smoothed by compromises marking up to 65 the age at which payments would begin, restricting benefits to the needy, and splitting the cost between the state and federal treasuries.

Unemployment insurance, though pretty sure to pass in some form, has lost headway with growing realization of the difficulties faced. What gets through will probably be just an entering wedge.

Ickes Coup

Secretary Ickes won an important skirmish in his drive toward federal control of oil production when the independents beat the big companies on the Oil Planning and Coordination Committee in an 11-9 endorsement of the Thomas-Disney bill. This provides for federal control where and if interstate compacts don't work. The Secretary is convinced that the big companies want the interstate compact plan because they think it won't work. Neither does he.

Argue at Home

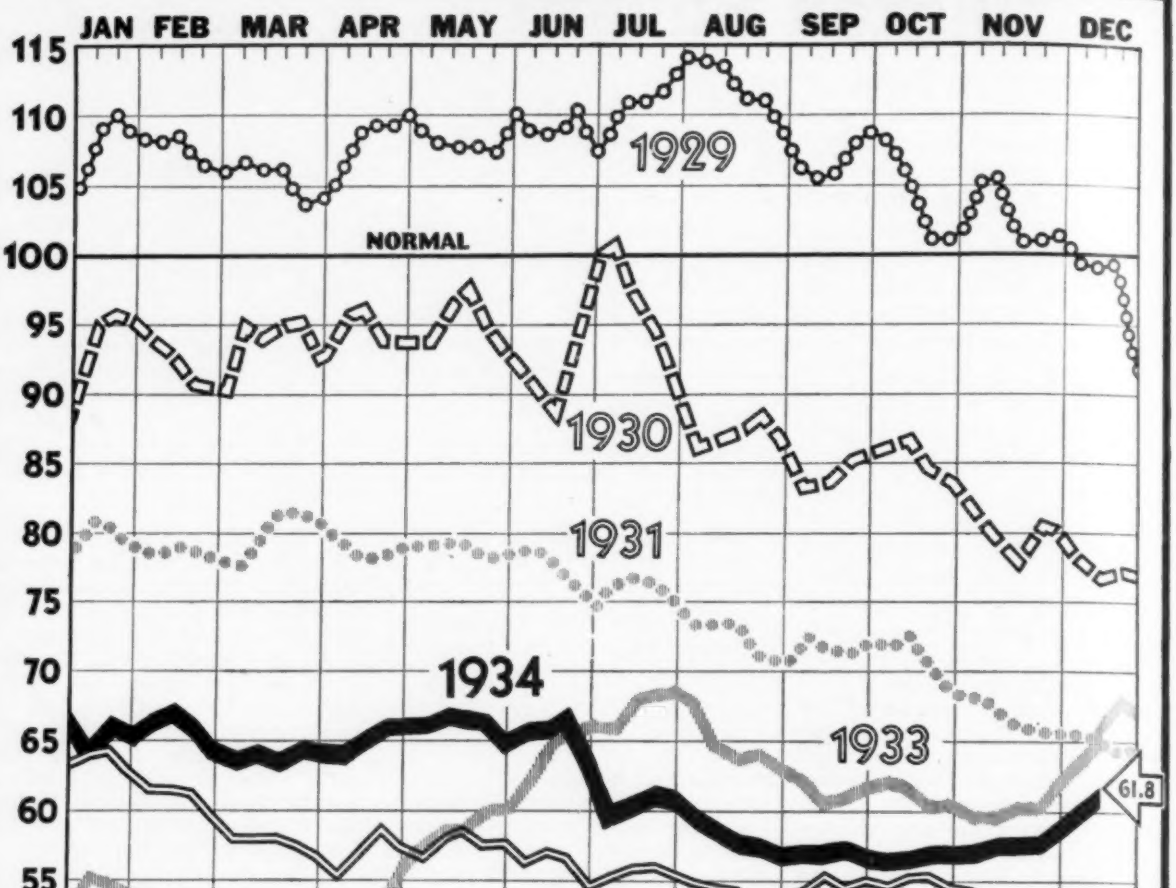
Big income taxpayers will be saved a lot of unnecessary traveling if one tax law proposal goes through. This would permit settlement on the home ground of disputes that now force them to come to Washington.

Planning Prospect

So far, as next year is concerned, the report of the National Resources Board is more interesting than important. The President hasn't decided on the extent of next year's public works program, hasn't enough factors for a decision between just aiding recovery and broadening out to "reshape the face of nature" on a long-term design.

Wallace for Grain Imports

The millers' and grain-producers' fight on imports of foreign-subsidized grain, though supported by the Tariff Act, keeps running up against Secretary Wallace's fight for cheap feed to prevent further slaughter of cattle. Polish rye furnishes a special complication. The War and Navy Departments are listening to news that Germany has been importing rye from Poland to make synthetic rubber. Maybe it might better come here.



BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY

	Latest Week *61.8	Preceding Week †60.7	Year Ago 66.7	Average 1929-33 72.3
PRODUCTION				
★ Steel Ingot Operation (% of capacity)	34.6	32.7	34.2	34
★ Building Contracts (F. W. Dodge, daily av'ge, thousands, 4-week basis)	$4,658	$4,696	$6,998	$8,923
★ Bituminous Coal (daily average 1,000 tons)	*1,183	†1,241	1,107	1,412
★ Electric Power (millions K.W.H.)	1,767	1,743	1,644	1,694
TRADE				
Total Carloadings (daily average 1,000 cars)	92	93	90	114
★ Miscellaneous & L.C.L. Carloadings (daily average 1,000 cars)	59	61	60	72
★ Check Payments (outside N. Y. City, millions)	$3,101	$3,363	$2,728	$3,746
★ Money in Circulation (daily average, millions)	$5,554	$5,556	$5,497	$5,269
PRICES (Average for the Week)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$1.06	$1.07	$.82	$.74
Cotton (middling, New York, lb.)	$.128	$.127	$.101	$.098
Iron and Steel (STEEL, composite, ton)	$32.44	$32.35	$31.01	$31.26
Copper (electrolytic, f.o.b. refinery, lb.)	$.088	$.088	$.079	$.093
All Commodities (Fisher's Index, 1926 = 100)	78.6	78.7	72.0	74.0
FINANCE				
Federal Reserve Credit Outstanding (daily average, millions)	$2,465	$2,460	$2,683	$1,905
Loans and Investments, Federal Reserve rep't'g member banks (millions)	$17,912	†$17,879	$16,519	......
★ Commercial Loans, Federal Reserve reporting member banks (millions)	$4,640	†$4,676	$4,875	......
Security Loans, Federal Reserve reporting member banks (millions)	$3,099	†$3,098	$3,596	......
Brokers' Loans, Federal Reserve reporting member banks (millions)§	$890	$882	$830	......
Stock Prices (average 100 stocks, Herald Tribune)	$97.92	†$98.73	$98.21	$115.76
Bond Prices (Dow, Jones, average 40 bonds)	$95.29	$95.18	$83.00	$84.77
Interest Rates—Call loans (daily av'ge, renewal) N. Y. Stock Exchange	1%	1%	1%	2.2%
Interest Rates—Prime Commercial Paper (4-6 months) N. Y. City	¾-1%	¾-1%	1¼-1½%	2.9%
Business Failures (Dun and Bradstreet, number)	231	232	260	500

* Preliminary † Revised ★ Factor in *Business Week* Index § New series

The Business Outlook

BUSINESS recovery—1934 style—has been slow, unspectacular, marked by backsliding in the third quarter, but brightened by a resumption of the upward trend in the last. The year as a whole will be perched 5% higher than 1933, on the 63%-of-normal line. This virtually equals the net gain registered last year when our index rose to 60 from 57 in 1932. However, individual business lines have outstripped the general average in many instances, reinforcing the confidence with which industry looks toward 1935.

Fears of wild inflation that haunted the minds of business when the books were opened to receive 1934 orders have been quieted by the many reassuring statements from Washington. Business and the Administration have publicly declared a truce. The profit system is to have another inning, though the rules of the game are undergoing modification.

Drought Results

Biggest stimulator of the 14% increase in wholesale prices this year over last was undoubtedly the drought, "an act of God" rather than manipulation of the gold price, which has remained stationary at $35 an ounce since January. Farm products and food prices moved sharply upward during 1934, a direct effect of the ravages of the drought reinforced by crop curtailment programs directed by AAA. Our corn crop this year is the smallest since 1881; wheat, since 1890; cotton, since 1921.

Textile Prices Weakened

The drought had a directly opposite effect on hide and leather prices which lost ground during the year as the flood of hides from drought-stricken cattle came on the market. Textile prices weakened when the spectacular gains of 1933 met consumer resistance, reduced consumption. Metal prices also softened in the last half of 1934 as demand petered out. Retail dry goods prices have turned downward of late, now equal those of December, 1933, but the average for the year is 16% higher than 1933.

Bigger Farm Market

As a result of better prices for farm commodities, agricultural communities turned out to be oases for sellers of manufactured goods. Department store sales showed the best gains in areas worst hit by the drought—17% in the Kansas City district, 23% in Dallas, contrasted with a mere 5% and 6% in the industrial regions of Boston and New York. With farm income placed a billion dollars above 1933, farmers have had the first cash in their jeans for years. And they have been quick to spend it—for automobiles, farm implements, shoes, clothing. So content have cotton planters been with the returns which the curtailment program of 1934 made possible that they have voluntarily voted to continue its operation in 1935.

More Manufacturing Jobs

What of manufacturing progress in 1934? Measured by employment and payroll records, the year averages up better than expected. Based on the first 10 months, employment in manufacturing establishments was 17% higher than the same period in 1933; payrolls 31% higher. The full year's record will pare these percentages a little. Yet, despite these increases, the number of unemployed has been reduced only negligibly, from 10.3 millions in January to 9.6 millions in October. The stability of this figure constitutes the major problem of 1935. It is an ever-present reminder that the depression is still with us.

Earnings Gains

Measured by corporation earnings, of which we have only the first 9 months' record, manufacturing industries have made notable strides. Some 290 companies covered by the Federal Reserve Bank of New York had net profits of $430.5 millions in 1934 compared with $202.8 millions in 1933, a gain of 112%, and exceeding every year since 1930. Only steel and copper companies were still in red ink at the end of the first 9 months of 1934, compared with 9 industries in 1933. Greatest gains in earnings, symptomatic of increased activity plus stabilized or rising prices, were noted in automobile parts, chemicals and drugs, metals and mining (excluding copper, coal), oil and steel industries.

Faster Production Pace

Measured by physical production, industry has increased its pace, though there is plenty of room to improve. Steel production will top 25 million tons, an 11% gain over 1933. Bituminous coal will show more than 8% gain; anthracite over 14%. Incidentally, the soft coal industry is one of the few that found its code a distinct benefit, voted to extend it for 2 years after its expiration next year. Automobile production has been one of the highlights of 1934. Passenger car output in the United States will exceed 2 millions, 36% better than 1933, while truck production will be 63% larger than last year, indicative of the growing need of replacing wornout commercial vehicles.

More Power Used

Electric power production will approximate 86 billion kilowatt hours, more than 7% better than last year. Domestic consumption of power will establish a new high record; commercial consumption will approach the peaks of recent years. The record sales of electrical appliances boosted domestic consumption. Utility earnings will make less pleasant reading. The determined attack on rates made this year and certain to continue into next year will not improve the situation.

Labor Still Restless

Restlessness of labor, characteristic of recovery periods, and enhanced this year by the power assumed to flow from Sec. 7-a, affected textiles on the East Coast, steel and motors in the Central industrial area, and longshoremen on the Pacific Coast. The first and last difficulties bloomed into full-fledged strikes; the grievances in steel and motors were patched up for the time being, though current rumblings indicate that all is not well in these quarters. Congress will have its hands full in shaping a course between the conflicting demands of labor and management on the controversial questions of the 30-hour week, majority rule, union recognition.

Stronger Banking System

The banking system has been strengthened considerably during the year, though coming more definitely under the power of the Administration. According to unofficial sources, 453 national banks and 863 state banks have been restored to unrestricted operation during the year, bringing the total number of banks open to 15,958. Interest rates have been further lowered in an effort to stimulate borrowing for recovery.

Year-End Bright Spots

The year draws toward an end with Christmas trade in leading cities ranging from 2% to 21% ahead of last year, with steel production rising sharply as the motor industry gets under way, and Ford predicting lower car prices for 1935.

Mother has joined the family circle again

Last few years, the stairs have been too much for her and she has stayed pretty much to her room. As her grandchildren raced up and down the steps, she was forever confronted with the distressing thought that age had isolated her. Recently an Otis Personal-Service Elevator was installed in this home and it has given this dear old lady a new lease on life. But she'll laughingly tell you that she really uses "her elevator" less than any one in the house. It has become a general family convenience and saves every one the burden of many steps.

THE Personal-Service Elevator has been designed by Otis to bring new comfort and luxury to the home. It "stands on its own legs" and existing residences can readily be made to accommodate it with slight alteration, since it does not have to depend on the house structure for support. No cutting through the roof. No extra strain on the building itself.

The machinery in this elevator is superb. And the cabs come in a variety of designs and finishes. One model is made of unfinished spruce which may be decorated to your own taste. Doors swing on hinges just like regular house doors, but they won't open unless the car is there and the car won't start unless the doors are closed.

In appearance, this little jewel-box of an elevator is as inconspicuous as a hallway closet. In cost, it is no more expensive than a fine motor car. For more complete details, write to headquarters of Otis Elevator Company at 260 Eleventh Avenue, New York City.

OTIS ELEVATOR COMPANY

BUSINESS WEEK

DECEMBER 22, 1934

Recovery Concert

Moderation carries the day as business leaders compose differences, hammer out a set of recovery principles.

WHITE SULPHUR SPRINGS (*Special Correspondence*)—Ninety outstanding business men, chosen with the deliberate intent of giving representation to widely differing opinions as well as to a wide range of industry, were able in 3 days of conference to agree upon a set of principles for dealing with problems of recovery. That, rather than the specific details of the platform adopted, is the real significance of the widely publicized gathering here.

It was something of an achievement. Strong men hold strong views. Interests of different industries clash. Personal and organizational rivalries have wrecked many a meeting.

The White Sulphur gathering, christened "the Joint Business Conference for Economic Recovery," surmounted these stiff obstacles. It was the first cooperative effort of the National Association of Manufacturers and the U. S. Chamber of Commerce, in the long history of the two bodies. It succeeded—at the price of grim and unremitting work. No meeting ever toiled longer hours, played less.

Cooperation Wanted

It is obvious from the content, but more particularly from the tone of the statements issued, that the prevailing sentiment of the meeting was a genuine desire to cooperate with the government. The sturdy belligerents who, a short while back, wanted to draw a battle line and fight to defend it were converted or at least subdued by advocates of a more conciliatory attitude and less truculent tone. It is highly significant that the conference did not produce a detailed set of specifications for recovery, nor did it set forth its opinions in the mood of so many past broadsides of business organizations which have bristled with "stop," "don't," "must" and other imperatives.

There were battles, of course. Hottest was the debate over NRA and climaxing that, a fight over wording of labor provisions. Realists who wanted a clear pronouncement approving mandatory wage, hour, and child labor provisions, because that is what Congress will do anyhow, lost their battle to those who insisted all provisions of codes should be voluntary. No other dispute ranked with this in vigor.

Highly important result of the meeting is the decision to continue its work through some semi-permanent body. There was general agreement that a continuing program of study, discussion, and conference would be of great value. Details of the permanent setup are yet to be worked out.

Now, as to platform. There are few surprises in it. The most interesting fact is that it is not categorical, is offered as suggestion rather than dictum.

It talks of patience and tolerance as desirable virtues; it recognizes there can be divergent points of view. It believes there is plenty of work to be done to keep everybody busy for years—and that being so, it is "inconceivable" that we shall not find a way out of our present troubles. Business, in its practical experience, has encountered certain obstacles to recovery and offers its carefully considered suggestions for dealing with them.

So much is preamble. Summarizing specific recommendations:

Relief should be turned back to states and localities, should be administered by local authorities. Make-work projects are wasteful. Direct relief payments should always be materially lower than work relief wages. Employment on useful public construction, not created primarily for the purpose of relief, should be encouraged.

More Time Needed

Unemployment reserves require further study. Legislation should be based on adequate knowledge, not merely upon a commendable desire. There is plenty of time for thorough investigation. A committee should be set up to study employment reserves and old age pensions.

Labor should have fair compensation, but labor cannot share that which is not produced—the fundamental fallacy of 30-hour bills and like arbitrary measures. The federal government should not attempt to control local relationships. Employers and employees should be free to bargain collectively or individually in such forms as are mutually satisfactory to them, without coercion from any source. Men should be protected in their right to work as well as their right to strike. They should have the right to join or not to join any labor organization. Sympa-

International News

COORDINATORS—At White Sulphur Springs the Chamber of Commerce of the United States and the National Association of Manufacturers got together on a business recovery platform under the guidance of (left to right) Silas H. Strawn, chairman of the Chamber committee, Judge Charles B. Ames, chairman of the conference, C. L. Bardo, president of the N.A.M.

thetic strikes or lockouts, blacklists and boycotts should be prohibited.

NRA should be continued by new emergency legislation to run one year. Code continuance or adoption of new codes should be voluntary. Codes should contain hours, wages, and child labor regulations and bargaining provisions safeguarding against coercion. Employers not under codes are urged to ask for a code when it appears that living standards are threatened by prevailing conditions. Fair trade practice provisions should be an available recourse for any industry that wants such protection. Natural resource industries may need special treatment. Either the administrative body or the industry should have the right to terminate codes. Codes should apply to interstate commerce only. Enforcement should be through due process of law. The government ought not use the NRA label as a weapon of enforcement.

Debt Deadline

The budget should be balanced as early as possible. This is fundamental to any real or lasting business improvement. The conference believes no increase in the public debt is necessary after June 30, 1935. Assurance that this was the aim of government would be a great stimulus to recovery.

Stabilization of external exchange would be of great help, when and as that becomes practicable. Banks should be privately owned and free of political domination. The securities act is being administered in a wholly helpful spirit by the commission. Nevertheless, the conference believes further amendment desirable. Industry badly needs intermediate credit facilities. Something will have to be done about it. Possibly Federal Reserve member banks ought to be permitted to do underwriting of this general type, under clôse supervision and within careful limits.

Agricultural limitation schemes always should be based upon the assent of a predominating percentage of the group involved.

Durable goods industries need a free flow of private capital into private business, a sound real estate mortgage market, and low construction costs. There can be no recovery in private residential building unless federal construction is limited to a field that can be demonstrated to be non-competitive.

Foreign trade expansion is a necessity to complete recovery. Stable exchange, cooperation to remove quotas and other restrictions, reciprocal treaties will help.

Transportation is a key industry. If the government has money to lend, that is a good place to lend it, to the end of utilizing technical improvements already known but not yet widely used. All kinds of transportation should be allowed a free field for development.

Associations Again

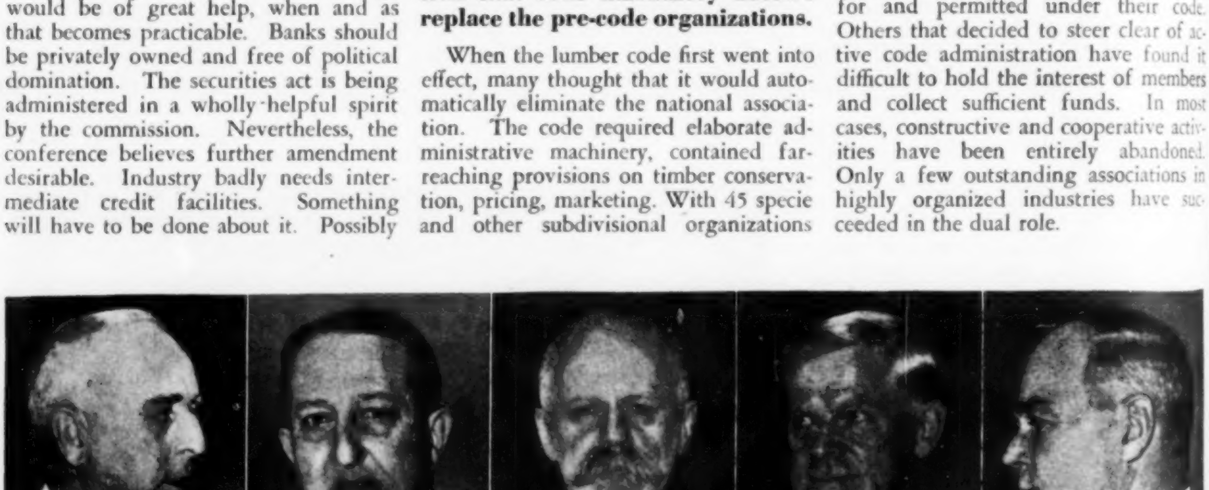
Lumbermen take action on conviction that code machinery doesn't replace the pre-code organizations.

When the lumber code first went into effect, many thought that it would automatically eliminate the national association. The code required elaborate administrative machinery, contained far-reaching provisions on timber conservation, pricing, marketing. With 45 specie and other subdivisional organizations subscribing, it apparently paralleled most of the former activities of the National Association of Lumber Manufacturers.

More far-sighted members did not agree. They pointed out that with its mixed membership and permanent government representation the code authority could never become the voice of the industry as such; it could only function within the limits of the Recovery Act itself, and enforce such code provisions as were consistent with its primary objectives. They insisted that the N.L.M.A. should have nothing to do with code administration, should continue as a separate body representative of the industry. Now, after 17 months of the code, industry leaders are willing to admit that they were right.

The reconstituted N.L.M.A. will function as a federation of regional organizations, with 14 major associations forming the nucleus. Important divisions will be well represented on a board of 40.

Other industries consider this decision highly significant. While NRA enthusiasts originally predicted a tremendous upswing of association activities under the codes, in actual practice the result has been directly opposite. Those associations that undertook to function as code authorities have become quasi-governmental bureaus, and confine themselves largely to these activities provided for and permitted under their code. Others that decided to steer clear of active code administration have found it difficult to hold the interest of members and collect sufficient funds. In most cases, constructive and cooperative activities have been entirely abandoned. Only a few outstanding associations in highly organized industries have succeeded in the dual role.



International News

CONFEREES—Typical of the delegates, representing a wide range of opinion and industry at the Joint Business Conference, were (left to right) P. W. Litchfield, president, Goodyear Tire & Rubber Co.; G. F. Swift, president, Swift & Co.; W. B. Bell, president, American Cyanamid Co.; Thomas E. Wilson, chairman, Wilson & Co.; Colby M. Chester, Jr., president, General Foods Corp.

Business Week

STREAMLINING: 1935—Last year's Airflows hit an all-time high in revolutionary design. Those who speculated on what DeSoto would do—or could do—in 1935 now have their answer: a raised hood and pointed radiator.

New Models—New Prices

Car makers' 1935 vocabulary will bristle with "electric hand," "turret top," "flying power" and other alluring terms, but "price" will be the word to conjure with.

PRICE will be the dominant factor in the sales strategy of the automobile industry during 1935. This is on no less authority than Henry Ford, who says: "It is entirely probable that some of our prices will be lower than in 1934. We want them lower because we expect to build a million cars and better next year, and the price must be right. If the price is right, people will buy."

Ford won't reveal prices until Dec. 29, but the downward drift is shown by \$15-\$35 reductions on Terraplanes. Just as significant as price cuts is invasion of lower-price fields by many car manufacturers. Pontiac will have a 6 as a companion for its 8. De Soto again will have a 6 (known as the Airstream) in the price field which it occupied prior to 1934. It will continue, of course, its Airflow, with changes in front-end appearance. Graham-Paige will have a low-price 6. Chrysler will have an Airstream 6 and 8.

Price will show itself from still another angle. A prominent low-price car maker with 2 lines, standard and de luxe, has been putting high-pressure selling on the de luxe job. Emphasis will be shifted to the standard, partly by raising the dealer discount to a par with the de luxe. Its minimum goal for the standard next year is to double the 1934 sales.

Detroit, as is its yearly custom, has been coining new names to intrigue the buyer, such as "the electric hand," "turret top," "flying power." "The electric hand" is the new gear-shift mechanism developed by Hudson and Bendix engineers for Hudsons and Terraplanes. Instead of the conventional gear-shift lever, there is an H-plate on the steering column. The driver moves the selector into the desired notch in the H-plate and actual shifting is done by vacuum energy. The shift is made when the clutch pedal is depressed either with the foot or by the automatic clutch mechanism. Elimination of gear-shift lever and removal of emergency brake to front left corner of driver leave the front of the car clear for 3 persons. Hudson has in production a special and de luxe Terraplane 6 and a series of Hudson 6s and 8s on 3 wheelbases.

"Turret top" is the name applied to all-steel tops developed by Fisher Body Corp. for Chevrolet, Pontiac, and Oldsmobile. It consists of a single sheet of seamless drawn steel extending from the windshield to a point well below the rear window, further strengthened by a series of heavy U-shaped metal bows underneath. A layer of ¾ in. insulating material is secured to the underside of the roof and other parts of the metal sheathing. Fisher Body compares its new body to the construction of the gun turret of a battleship.

New Cars on Sale

While most announcements will be made from Dec. 25 through Jan. 5 (opening of New York show), many car makers have told dealers they can begin to sell cars immediately, thereby giving the public a peep at new models. Dealer displays show that Dodge has new front-end and hood treatment, more sweeping rear panel, redistribution of weight to give better riding, body ventilation by backward movement of window glasses. Both Plymouth and Dodge have full-length water jackets which completely surround cylinder bores and cool them from top to bottom. Plymouth's slogan for its new engine is, "As cool at 80 miles an hour as its predecessor was at 50." (Incidentally, Plymouth's first 1935 price announcement quotes figures at substantially the 1934 levels. For example, the de luxe 4-door sedan is unchanged at \$660 f.o.b., except that Mr. Chrysler points out that additional accessories on the 1935 model give the buyer more for his money.)

Buick has brought out 4 lines of cars to cover a broad market, made power and riding refinements in all models. Nash will have "aeroform" lines, synchronized springing, "automatic cruising gear" (overdrive).

Even Ford, finding the wait until Dec. 29 rather long, has decided to tell a few things about the new V-8. With new flexible springs and the rear seat forward of the rear axle, the car will give "a front seat ride for back seat passengers." Changes in body design are toward streamlining. The V-8 engine has been refined with adoption of copper-lead connecting rod bearings, a new type of crankcase ventilation.

Ford announced 1935 V-8 trucks on Dec. 15. Forty-nine improvements include crankcase ventilating system, better load distribution, better braking and cooling systems, softer clutch, increased driver comfort. All models have smart-looking fronts, new cab design.

Dealer's Viewpoint

Dealers to sit with executive staff under new General Motors plan.

MOST manufacturers are aware of their need for "the dealer's viewpoint" at times other than those formal occasions when dealer conventions are held. Special liaison committees, appointed by national dealer or wholesaler associations, provide fortunate manufacturers in some fields with this needed continu-

ous contact. But few, if any, manufacturers have developed for themselves any systematic schedule of organized cooperation with dealers or distributors.

It is in this field that General Motors Corp. has pioneered another merchandising innovation: regional dealers' councils which will regularly sit with G.M.'s executive committee, advise on how to keep the wheels of car distribution properly lubricated, help develop new company policies.

From each of 4 geographic regions 12 dealers will be appointed by President A. P. Sloan, Jr., to serve for six months. Selection will be made on the basis of location, sales volume, lines of G.M. cars handled, so that each important territory, size of dealer, brand of car will have suitable representation. To get a "moving picture of dealer thoughts" the membership of the council is to be changed every 6 months.

TVA Steps Out

Well pumps go on the lengthening list of electrical appliances financed for Tennessee Valley use.

TVA has approved the financing of deep and shallow well electric pumps by its Electric Home and Farm Authority. The products of 12 manufacturers have been approved for this financing plan, which extends both to direct customers of TVA electricity and to customers of the affiliated private companies which buy all or part of their juice from TVA. There will be no special "TVA" models of pumps (as there were of refrigerators, water heaters, and stoves) but prices will be shaved close on standard equipment, which is to include, also, combined pressure and storage tanks.

Most significant thing about this announcement is not the financing plan or the close pricing, but the fact that TVA has stepped definitely out of the home equipment financing into the broader field of outside equipment. Officially this is included under the "farm" arm of the equipment plan, but actually any resident of the Valley may buy his electric pumps on government credit. It is taken to indicate that TVA financing will ultimately cover anything in the electrical appliance line.

Refrigerator Row

Department stores object to extended terms of refrigerator makers' winter sales plans.

THROUGH the National Retail Dry Goods Association, the department stores are directing a heavy fire against those "winter sales plans" of household refrigerator manufacturers whereby exceptionally attractive instalment terms bait sales during the months when the public thinks more about heat than about refrigeration.

They cite plans under which carrying charges on 24-month instalment contracts actually buy 30-month terms, the first 6 months being "paid for" by coupons issued in payment of "rental" for space in the customer's kitchen where the refrigerator is "stored." A $200 refrigerator of another manufacturer, they say, can be pulled through the winter months on payments totalling only $20. All this is condemned by N.R.D.G.A. as undermining sound credit policies.

The refrigerator makers are not so convinced that the department stores are in a position to judge where the stimulative use of instalment selling goes over the edge. In addition to reading up on department store instalment practices, they have been studying department store Christmas season announcements that purchases made early in December will not be billed until Feb. 1. This, they point out, can have the effect of practically doubling 60-day terms—which they find considerably more liberal than stretching 24-month refrigerator terms over 30 months.

Shrinkage Labels

Claims that cotton goods won't shrink must soon be made specific—and backed up.

TO BUILD bone and sinew into such unsubstantial advertising terms as "shrinkproof," "non-shrinkable," and "preshrunk," 10 national trade and professional associations representing producers, processors, distributors, and consumers of cotton yard goods have labored during the past year with the American Standards Association to establish enforceable shrinkage standards. The project was suggested originally by the New York Board of Trade. It came to fruition last week when agreement was voted on the standards and specifications. There now remains only the routine balloting of the interested associations and formal approval of the A.S.A. Standards Council—probably a matter of weeks.

Thereafter a manufacturer or distributor who fails to "stamp on or firmly affix" to any cotton yard-goods, sold or advertised as shrunk or pre-shrunk, a legible designation citing the precise shrinkage percentage may be prosecuted by the FTC (for unfair competition) or by NRA (for unfair trade practices). Cotton garment manufacturers are not compelled to pass this information on to the consumer of dresses and shirts; the standards apply only to yard goods.

Wide World

UTILITY SPOKESMAN—Thomas N. **McCarter, president of Public Service Corp. of New Jersey,** also president **of Edison Electric Institute,** leaves **the White House after** giving the **President the utilities' side** of the argument **over rates and** TVA.

Indicative also of the progress of standardization in the field of consumer goods is the A.S.A. announcement that 32 manufacturers of portable reading lamps are complying with the standards and specifications for that product promulgated in the summer by the Illuminating Engineering Society. During September and October more than 100,000 lamps bearing the I.E.S. certification tag were sold, and sales of 400,000 more were anticipated before the year end. Similar standards of illumination for floor lamps have even more recently been established.

In response to urgings from retail and consumer groups, the American Standards Association—heretofore primarily concerned with engineering standards—is expected soon to signalize its more definite entrance into the field of consumer grading by voting formal acceptance of the Consumers Advisory Board's request to undertake the exhaustive work of clarifying standards terminology. It is badly needed. Paul Hollister, executive vice-president of R. H. Macy & Co., recently observed, "The vocabularies are a little puzzling. The worst quality of raw silk you can buy is 'Best Extra,' and olives run from medium up to large, extra large, mammoth, giant, colossal, and supercolossal."

Utility "Truce"

White House terms for peace with power companies mean no letup in war on rates. Industry, disturbed by McCarter rebuff, is divided on strategy.

FRANKLIN ROOSEVELT nailed the flag of public utility reform to the mast of his ship of destiny long years before anyone but himself ever expected that frail bark to carry him to the White House. That is one thing to be remembered in the current developments of his relationships with the utility business. Another is the significant fact that when he told the press of his recent talks with Messrs. Carlisle, Wilkie, and Arkwright of the utilities, he said that there was peace and comfort for the utilities in the forthcoming truce—but made it clear that this would be upon *his* terms.

The President is for lower power rates, and he doesn't care how they come; he says rates should be based on a prudent investment cost of the plant, or maybe on replacement costs today, and he means whichever is lower. He doesn't like utility holding companies that take a hand in management and therefore make a nick in the operating costs, although presumably he has no fight with holding companies that are just investment trusts.

Defense Is Split

The industry is splitting on the strategy of handling the situation; this becomes increasingly clear. Thomas N. McCarter, president of Public Service Corp. of New Jersey, and of the Edison Electric Institute, leads the forces of defense against every inch of government encroachment, defends present rates, attacks the constitutionality of the TVA legislation.

On the other side (even if not too far over) are men like Wilkie, Carlisle, and Arkwright, who agreed with the President last week that there was much to be done, and promised to consider both his investment policy and the possibility of rate reduction. They represent a large section of the industry which believes that the way to meet government competition is to do the rate and service thing just about twice as well as the government does or can—and more will be heard of this group in the near future.

Bad News From Tupelo

The long fight of Roosevelt and the utilities came out into the public prizering when the President, at Tupelo in the Tennessee Valley on Nov. 18, said genially to an appreciative crowd of Valley folk that "what you are doing here is going to be copied in every state of the Union before we get through." It was explained later, though not officially, that he meant only low rates.

Shortly thereafter, the Edison Institute board approved the action of Mr. McCarter in hiring Newton D. Baker and James M. Beck to tell him he had ground for a suit on the constitutionality of TVA and of anything like it, and said to go ahead with some such test. Federal Judge W. I. Grubb of Birmingham seemed to hold the same view, said so in refusing to dismiss the suit of stockholders of the Alabama Power Co., seeking to restrain the sale of distribution plants to the TVA.

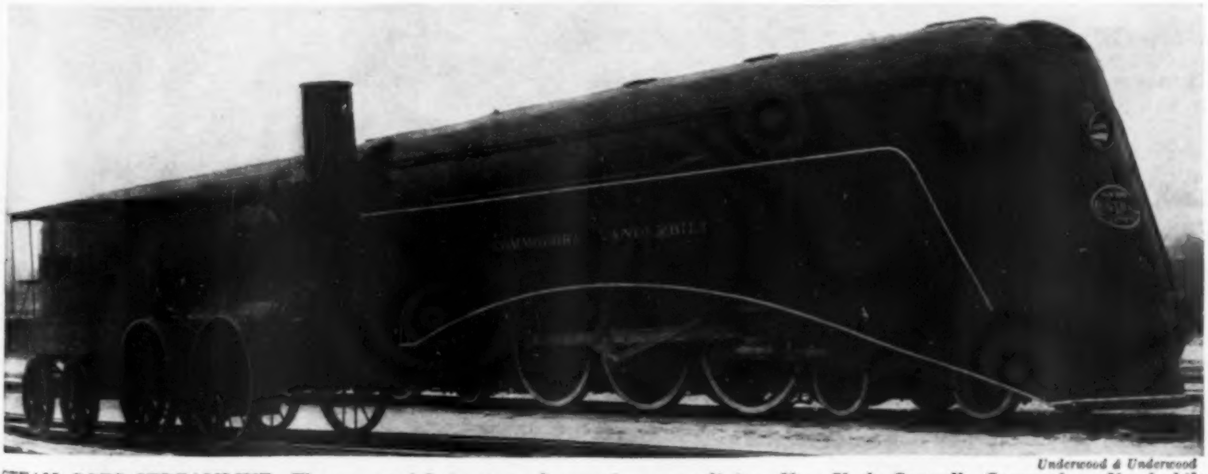
Next shot was TVA Director David Lilienthal's statement telling 14 Alabama towns to go ahead with their own distribution systems in view of the fact that Alabama Power's stockholders would not let the sale go through. He did this with much show of grief, citing the efforts of TVA to save stockholders from such loss, but spoke bitterly of the suggestion that the distinguished engineering firm of Ford, Bacon & Davis, Inc., be retained to make a fair valuation. Mr. Lilienthal thinks that Ford, Bacon & Davis have worked too long for public utilities companies "in rate proceedings in which a high valuation must be established to sustain existing rate structures."

Latest developments are the White House visit of the peacemakers on Friday, Dec. 14, and that of Mr. McCarter last Monday. The President was obviously flushed with the thrill of victory, in the first instance, and apparently not impressed in the second. But Mr. McCarter's presentation was a carefully worked out defense of the rate structure and a strong plea for a more careful consideration of the far-reaching perils of the apparently concentrated attack on the utilities.

One-Third Is Taxes

"The proper fixation (of rates)," he said, "depends upon the size and density of the territory served, the differing costs of labor, material, and transportation, and"—he added significantly—"the taxes imposed under different jurisdictions." These taxes, he estimated, ran to "$250 millions out of the total gross annual revenue of $1,800 millions, or nearly 15% of the gross." And—"In the company over which I preside, the taxation cost is approximately one-third of the total of all operating expenses."

On the threat to the utilities in the development of vast latent water powers into sources of electrical energy, the



Underwood & Underwood

STEAM GOES STREAMLINE—The newest job in steam locomotive streamlining, New York Central's *Commodore Vanderbilt* rolls out of the railroad's West Albany shops to take a look at its famous ancestor, the *De Witt Clinton*. Shorn of its modern dress, the *Commodore* is a standard type engine. Other shops are tailoring similar trappings for the old iron horse.

utility leader said, "The full development of these waterpower sources will create a huge excess of supply, running in some cases as high as 150% or 200% in excess of any reasonable anticipated requirement. The greatest benefit that could be hoped for would be the saving of a comparatively small amount each month to the consumer in the bill which he now pays, benefiting him relatively little, but in the aggregate spelling ruin and destruction to the private companies and to their investors."

Invited to a Test

Mr. McCarter's presentation closed with a proposal that the government join with the Edison Institute in a friendly suit to determine, in the courts, the constitutionality of TVA, on the assumption, carefully put forward, that "there is no one more interested than the government in having finally settled as soon as possible the constitutionality or legality of projects upon which it is proposed to spend hundreds of millions of dollars, as to the legality of which such a doubt exists."

The McCarter memorial was turned over to the tender mercies of Frank R. McNinch, chairman of the Federal Power Commission. Mr. McNinch was not what would be called conciliatory, and there has been considerable feeling that Mr. McCarter's carefully prepared, businesslike presentation of the case deserved better treatment at the hands of the White House and of the Power Commissioner.

An indirect but not irrelevant comment on the whole controversy was a short item that most papers printed right after the McCarter story last Tuesday, quoting TVA Chairman Arthur Morgan, at Philadelphia, to the effect that the stubbornness of the Alabama Power stockholders in refusing to sell out to the TVA was costing that impecunious agency a loss of "millions."

Power Waste

Obsolete equipment contributes to $600 millions annual power loss.

A LOSS of $600 millions a year in power service costs on industrial and building power plants is charged by the magazine *Power*, which repeats and extends this year its 1933 estimate of a 50% wastage over all the industrial power plants in the United States. These losses are accounted for on the basis of obsolete machinery, unscientific operation, waste in distribution.

Power's survey this year covered 13,329 equipment items in 454 better-than-average plants, representing 9.2% of America's industrial power capacity. (It does not touch on public utility plants.) It found 65% of these items over 10 years old, about half of that number over 20 years old—equipment that was doing business when today's college seniors were in their cradles. The plants surveyed use $60 millions worth of electric power alone. Some 38% of them plan to modernize and thereby save what *Power* estimates most conservatively at 2 mills per kilowatt hour, savings that will amount to $14 millions annually.

The list of units found to be over 10 years old is amazing: 65% of the water tube boilers, 76% of the fire tube boilers, 69% per cent of the stokers, 89% of the hand grates. And, with power service accounting for 3%-10% of total manufacturing costs, the opportunities for savings through more efficient production of power are important to everyone in the plant.

The survey of industries which *Business Week* is making in order to find their potentialities as markets for modernization and new capital goods shows again and again the possibility of highly important investments in power plants and power plant modernization—the most vulnerable spot in the armor of depression costs. Throughout the whole immense field of industrial costs, those which cluster around the bottom of the smokestack offer the greatest opportunity for direct attack, and, incidentally, are being attacked most vigorously by forward-looking industrialists on the lookout for ways to save, and make, money. No code has regulations against modernizing the power plant, none says you cannot put in a modern boiler and reduce your prime mover operating costs and the efficiency of your use of byproduct steam.

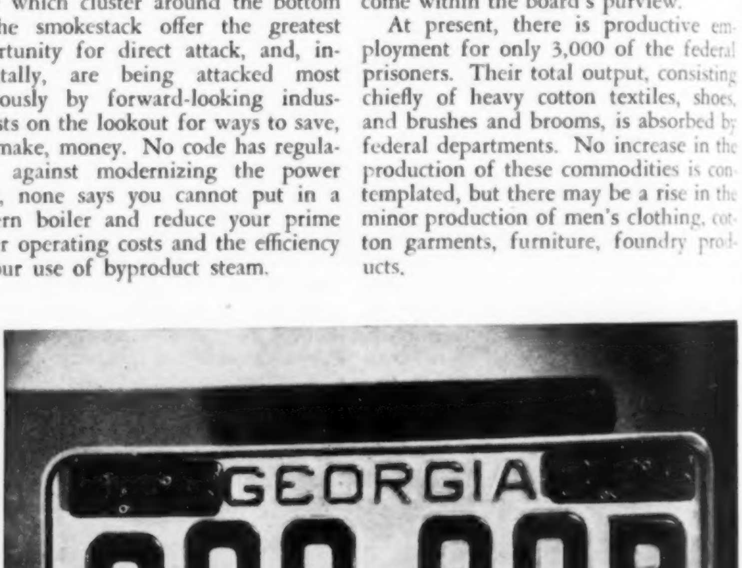
Prison Production

New board seeks to diversify federal prison output, divide industry's burden of competition.

ALTHOUGH it promises no direct relief to cotton garment manufacturers who have complained most loudly about the government's failure to regulate prison labor output, the President's order of Dec. 12 creating Federal Prison Industries, Inc., is regarded as evidence of a new disposition on the part of the government to consider the question.

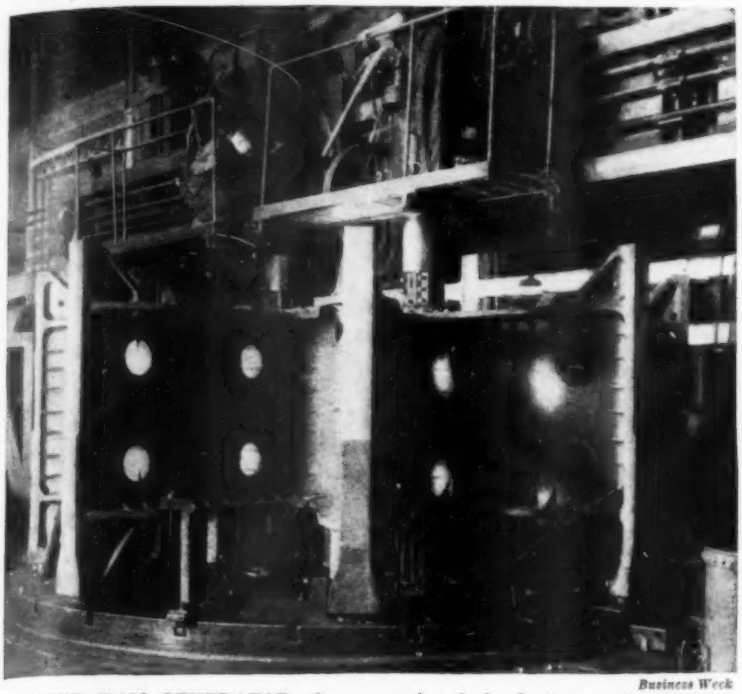
The new corporation, directed by a five-man board, "shall have the power to determine in what manner and to what extent industrial operations shall be carried on . . . and shall, so far as practicable, so diversify prison industrial operations that no single private industry shall be forced to bear an undue burden of competition." The order, naturally restricted to federal institutions, will affect the output of only 13,000 federal inmates—scarcely a tenth of America's prison population. Further, operation of the interstate prison compact authority will apparently not come within the board's purview.

At present, there is productive employment for only 3,000 of the federal prisoners. Their total output, consisting chiefly of heavy cotton textiles, shoes, and brushes and brooms, is absorbed by federal departments. No increase in the production of these commodities is contemplated, but there may be a rise in the minor production of men's clothing, cotton garments, furniture, foundry products.



Business Week

COST SAVERS—By taking the year number off the plates and putting it on these Bakelite molded "Loxseals," the same plates can be used for several years. Only the seals, light and cheap, have to be replaced, and once installed they must be broken to remove the plates, thereby frustrating plate thefts and transfers. The seals were developed by A. J. Krebs, of Washington, D. C.



Business Week

BOULDER DAM GENERATOR—One example of the business private manufacturers get from public projects, this big spider (being machined at Westinghouse's shops) will go into one of 4 of the world's largest generators, to be installed at Boulder Dam. Each generator will have a rating of 82,500 kilovolt amperes, 13,800 volts, 50 cycles, 3 phase.

Hot Oil Cooler

While Mr. Ickes tightens federal checks on illicit production, Texas moves in on the oil fields with its own system of tender board control.

TEETERING on the tailboard of a Ford truck, an impassioned local statesman waved his fist in the general direction of Washington and told a Kilgore, Tex., mass meeting that the governor should call out the militia, swear in able-bodied citizens and invite Mr. Ickes to enter the state "at his peril." Gathered indignants cheered and applauded. This and similar uproar throughout the district prove that the hard-fisted oil administrator is finally making progress in curbing the independent "hot oil" producers in the East Texas field.

Federal Weapon

His weapon has been the Federal Tender Board (*BW—Oct27'34*). On Oct. 24 this body inaugurated a system requiring sworn statements before allowing interstate shipments of crude oil and its products. Up to this time so much "hot oil" (production in greater amounts than the NRA allows) had been sneaked out that price structures were demoralized. Now Texas has taken measures to curb "hot oil" movements within her borders.

On Dec. 10 the state set in operation its own tender board to control the movement of all products. Written permits must be obtained before transport will be allowed. In August the Texas Railroad Commission attempted a similar order in troublesome East Texas. Lawyers found legal flaws. But the legislature later granted unquestioned powers to the commission and control now covers the entire state.

Observers declare that an effective weapon has been found at last. But one more hole needs plugging. Supplies of illicit oil had been diverted to Gulf points where tankers can take it to the big Eastern consuming areas. Another federal tender board or a representative of the present board is asked as a guard against leakages at tidewater.

The conservators have moved forward on other fronts. In a new order, the much-cussed Mr. Ickes brings under the tender system casing-head or natural gasoline, which had hitherto been excepted. Also, railroads must furnish the Tender Board daily copies of waybills covering the exit of petroleum and its products from East Texas. Processors are required to supply maps of their pipe line systems to aid the federal check. On its side, the Texas commission rules that all possessors of crude and its products must furnish sworn statements of their inventories, regardless of location.

System Is Biting In

Nobody thinks that "hot oil" has been finally licked. In the few weeks before the Texas tender board moved in illicit production rose, probably in anticipation of state restrictions. Estimates of outlaw production in the field run around 50,000 bbl. daily. But figures on shipments indicate that the tender system is biting in. During the month before federal tenders were required about 15,000 tank cars moved from East Texas to interstate and Texas points; during the next 30 days the number fell to 5,427. Clamping down on hot supplies for refineries was proved by the fact that only 29 of the 74 plants in the field were operating on Dec. 5.

Maybe the furious independents can think up dodges to get around the tightened restrictions; to date they have shown an amazing ingenuity. Crude has been misbilled as products to get around the state's requirement of an OK in moving it from wells of origin. Dummy wells, and derricks with piped outlets from actual wells, were put in to increase the quota allowances which rest on a per-well basis. Itinerant refineries sprang up, processing crude in the field itself.

To protest that these methods are squandering an irreplaceable national asset, well-owners and lease holders retort that they have a right to as much profit as they can get from their properties, and to hell with posterity.

How Much, Lady?

Survey shows what quantities are most frequently asked for in meat and grocery purchases.

PRODUCERS and packers of food products have had to guess, more or less, as to the quantities in which Mrs. Consumer most frequently buys her supplies. Bad guesses have meant costly changes in machine settings, packages, labels. Now they have a key to buying habits so far as weight is concerned in the results of a study completed by Toledo Scale Co.

Food stores have been doing away with the old-fashioned brass-scooped balance scales. Modern computing scales are neater, save time, and prevent mistakes in calculating the price. But legibility is a prime essential if a computing scale is to qualify as a time and trouble saver and, obviously, the fewer price and pound subdivisions needed, the larger and clearer the figures can be. So Toledo Scale had a good reason for

seeking accurate first-hand information on which divisions are most frequently used.

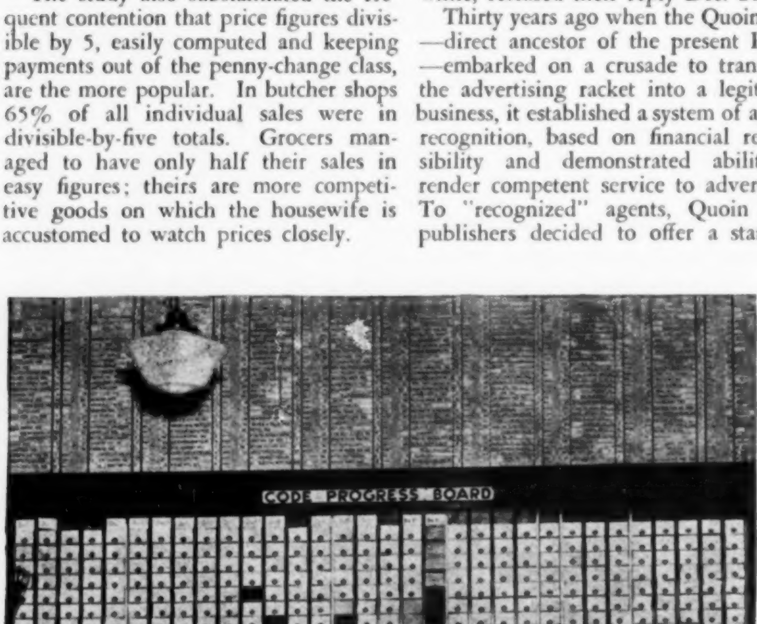
To get a fair national cross-section, retail butcher and grocery stores in Albany, Birmingham, Denver, Detroit, Duluth, and San Francisco were asked to cooperate, supplied records on 19,544 weighings in butcher shops, 12,738 in grocery stores.

Small Purchases the Rule

These showed that purchases in the 1 lb. to 1 lb. 15 oz. weight range accounted for 7,580 or 38.79% of butcher-shop purchases, and 4,082 or 32.05% of the grocer's weighings. Purchases of less than 5 lb. in weight rolled up 93.92% of all weighings in butcher shops and 86.53% in grocery stores, were divided like this:

	Per Cent of Sales	
Quantity	*Butchers*	*Grocers*
Less than 1 lb.	24.92	16.66
1 lb. to 1 lb. 15 oz.	38.79	32.05
2 lb. to 2 lb. 15 oz.	18.09	20.64
3 lb. to 3 lb. 15 oz.	8.25	12.29
4 lb. to 4 lb. 15 oz.	3.87	4.89
	93.92	86.53

The study also substantiated the frequent contention that price figures divisible by 5, easily computed and keeping payments out of the penny-change class, are the more popular. In butcher shops 65% of all individual sales were in divisible-by-five totals. Grocers managed to have only half their sales in easy figures; theirs are more competitive goods on which the housewife is accustomed to watch prices closely.



International News

NRA KEYBOARD—With changes in code status and administrative policy occurring at a rapid pace since the reorganization, this progress board in the Recovery headquarters is kept busy charting latest code developments.

Whose Agent Is the Agency?

What was a decorous argument in the advertising world suddenly turns into a free-for-all brawl, as advertisers and publishers exchange pointed memoranda.

WHOSE agent is the advertising agency —the publisher's or the advertiser's? Around this question revolves the current fight in advertising circles. Restated in less diplomatic language, it might read, "Who shall pay the advertising agency, and how much? The standard 15% commission, or whatever smaller percentage the advertiser and his agent can agree upon?"

Until a fortnight ago the fight was distinctly a private one—agents in one corner, advertisers in the other. But on Dec. 5 publishers broke their traditional, official silence, turned the private fight into a public free-for-all. Disconcerted by the actual appearance of this behind-the-scenes adversary in the ring, advertisers pondered the ultimatum from the Periodical Publishers' Association for a while, released their reply Dec. 20.

Thirty years ago when the Quoin Club —direct ancestor of the present P.P.A. —embarked on a crusade to transform the advertising racket into a legitimate business, it established a system of agency recognition, based on financial responsibility and demonstrated ability to render competent service to advertisers. To "recognized" agents, Quoin Club publishers decided to offer a standard commission on all space purchased—this on the assumption that a fixed commission system would remove the advertiser's selection of an agency from the field of bargaining, would attract the "better brains" into the agency field by offering substantial rewards.

Publishers Fear Revenue Loss

These values in the 15% commission system were rehearsed in the P.P.A.'s Dec. 5 statement—first official commentary which anyone could remember emanating from that exclusive association (now composed only of Crowell, McCall and Hearst). As *prima facie* evidence of the fact that the agent is the publisher's agent, P.P.A. cited the fact that agents are still recognized by publishers, paid by publishers and sued by publishers. Most significant, however, was the contention that abandonment of the existing system would mean loss of publishing revenue.

But no matter how publishers might argue the desirability of eliminating the bargain appeal in the selection of an agency, the depression has argued even more persuasively the necessity of considering cost factors. This was indicated last month in the Association of National Advertisers' famed Haase report (*BW—Nov24'34*). Its statistical tables and interpretative material showed that many advertisers had deserted agencies operating on the rigid 15% commission system (endorsed by the American Association of Advertising Agencies), were now placing copy direct or through cut-rate agencies eager to split commissions with big-space-using clients. It suggested that even A.A.A.A. agencies had covertly slid from grace, that hard-pressed publishers had willingly blinked at such irregularities, refusing to blacklist cut-rate agencies.

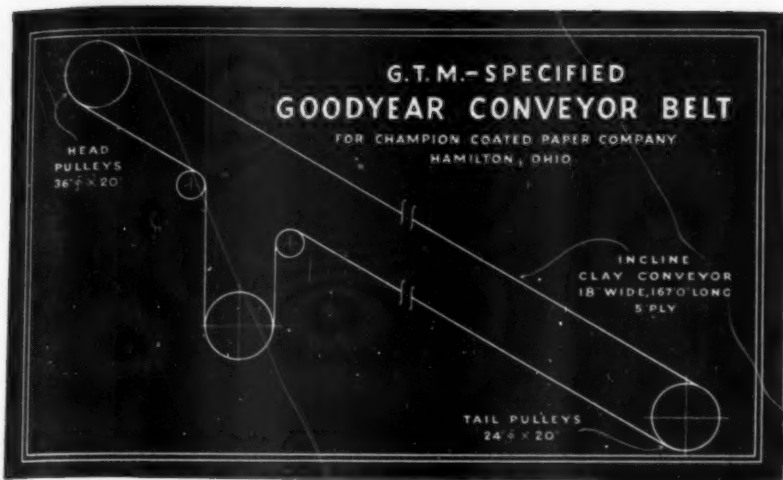
These facts were rehearsed last week in the A.N.A. reply to P.P.A. criticism.

Protest Recognition System

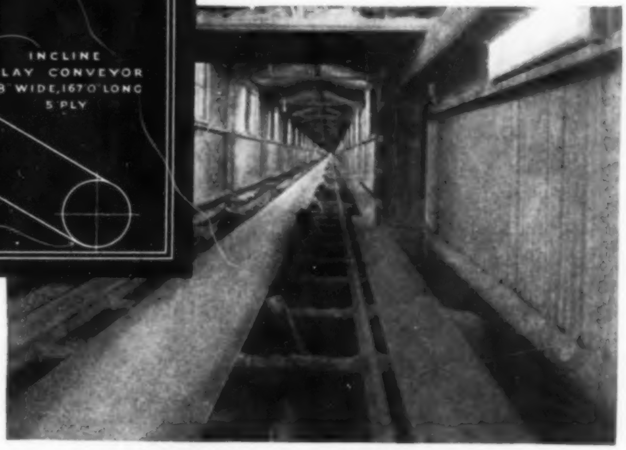
Implying first that P.P.A. had considerably overreached itself in presuming to speak for all media today, the A.N.A. reply objected to the gratuitous assumption of authority involved in any system of agency "recognition" whereby media owners pay commissions to agents whom they adjudge capable of rendering "service to the advertiser."

The reply goes on to point out that "the man who pays the agent is not always the agent's principal. The real test of agency is: Whom has he contracted to serve?" In this connection it recalls that the agent is selected by the

THE CHAMPIONS OF CHAMPION



Goodyear Conveyor Belts set record in world's largest coated paper mill



Installed 1920—and still on the job

14 years' service proves value of G.T.M. Specification

IN THE great modern plant of The Champion Coated Paper Company at Hamilton, Ohio, three veteran conveyor belts have quietly proved themselves champions by every test of belt performance.

Back in 1920 the G. T. M. — Goodyear Technical Man — was called to Hamilton and consulted about belts for the conveying system handling the fine clay used in giving Champion papers satin-smoothness.

Carefully considering all factors the G. T. M. recommended a 5-ply Goodyear Conveyor Belt, 18" wide by 167' long, for the incline conveyor. Another 1372' long for the distributing conveyor, and a third, 14" wide by 1440' long, 4-ply, for the reclaiming conveyor. These belts were built to specification and installed in late 1920 and early 1921.

Today, after rolling on their appointed rounds, day after day, month after month, for some 14 years—after moving nearly seven hundred million pounds of clay — these three belts, while somewhat worn to be sure, are still good for another year of stalwart service.

That's the kind of trouble-free, low-cost, uninterrupted performance you want from belts—and that's what you get when you have belts accurately specified to your operation by the G. T. M., as records in scores of industries prove.

Why not see what this competent expert could do for you. To bring him, write Goodyear, Akron, Ohio, or Los Angeles, California — or call the nearest Goodyear Mechanical Goods Distributor.

BELTS · MOLDED GOODS
HOSE · PACKING
MADE BY THE MAKERS OF GOODYEAR TIRES

THE GREATEST NAME IN RUBBER

GOODYEAR

NRA

advertiser after competitive solicitations, that typical advertising contracts and pertinent court decisions leave no doubt of the fact that "the advertiser is free, in law and in morals, to deal with his agent upon such terms and conditions as may be mutually acceptable," regardless of the fact that the agent remains in the anomalous position of getting his compensation from an utter stranger.

Finally, the A.N.A. denies that the commission system has operated successfully, cites its Haase report as evidence that "today there is no such thing as a standard of compensation . . . that actual contracts exist between recognized agencies and advertisers which are at variance with your own rigid standards."

The reply concludes on a note which suggests that the A.N.A. will continue to press for its new-style, Haase-approved contract, which calls for the agency to render the advertiser all commissions from media and to leave the question of agency compensation to direct negotiation between advertiser and agent.

Prefabrication Progress

Modernized store fronts and factory-made gasoline stations aid production in many lines.

BALLYHOO for prefabricated homes has drawn attention from two other fields where the idea has made definite progress. These are the modernization of store fronts and factory-made gasoline filling stations. Probably the toughest sales-resistant to "functional" design for homes is the reluctance of folks (women folks especially) to accept architecture that violates ancient prejudices as to what a house should look like. For retail stores and filling stations, this knock becomes a boost. Bright new fronts of metal, enamel, or ceramics are accepted as proof that the owner is progressive and are valuable attention-attractors. The government's guarantee back of loans for modernization has given further impetus, especially in the case of store fronts.

Industry is watching the trend since it involves another case of new materials competing with older ones. Steel, aluminum, tile, glass (in greater degree), clash with masonry products. The electrical industry is interested in the shift as most models embody arresting night effects by flood lighting or concealed troughs.

A Cleveland Specialty

Prefabricated service stations have multiplied in the past few years. Application of the idea here is ideal. Functional Buildings, Cleveland, specializes in this market. Among points of superiority cited for its stations are: (*a*) low initial cost and long life of structure; (*b*) fadeless colors of porcelain or enamel, easily cleaned, no painting necessary; (*c*) stations can easily be re-erected at distant locations if one site proves unprofitable; (*d*) alterations and additions are simple; (*e*) high salvage value as nearly all materials can be re-used. A special portable unit is useful in testing the sales possibility of property on short lease. Many such stations have sprung up in Ohio, Michigan, Illinois, Pennsylvania and Wisconsin.

Cleveland has become a center for this industry. Manufacturing facilities of the region are linked together by designers and selling organizations. Architectural Metals is another in the field. It cooperates with the Di-Noc Mfg. Co., which has processes for duplicating any type of material; it also has developed enameled steel sheets and a crimped copper sheet with porcelain enameling.

Wilbur Henry Adams & Associates, Cleveland, design and engineer new luminous store fronts combining the products of several companies. They recently completed a sales setup with 100 men, working under managers in 17 cities. General Electric and power companies are cooperating. The fronts are designed for what the public has come to know as "modernistic," with bands of metal between brilliant panels of color, strikingly lighted at night by concealed bulbs.

The Austin Co. and Truscon Steel, old-timers in the fabricated building business, are interested in the store-front and service station demand. Austin is making a drive for neighborhood buildings which combine gasoline, automobile sales and service (*BW—Nov17'34*).

A partial list of suppliers indicates the present ramifications and future possibilities of prefabrication in the above categories. It includes Republic Steel, American Rolling Mill, Aluminum Co., Nela Park of G.E., Westinghouse, Pittsburgh Plate Glass, many enamel, porcelain, lighting fixture producers.

Modernization Results

FHA hopes for year-round building and repair market as loans rise and company sales show strength in resisting seasonal slump.

FHA's home modernization campaign seems to be staving off the usual seasonal slump. Director Moffett opines that FHA is creating a year-round market for modernization. Figures up to Dec. 14 bear him out, although, in general, they represent business closed a month earlier.

Loans reported last week numbered 5,526 for $2,577,346, bringing the total advanced since the beginning of the drive up to 62,552 for $26,544,691. Because of the large ratio of cash to credit business, FHA estimates that approximately $164,508,000 in modernization work has been generated in the past 4 months.

Campaigns have been organized in 4,600 communities, 3,500 are actively under way and house-to-house canvasses in 1,100 towns have produced pledges totaling $90 millions according to most recent estimates.

Reports to FHA include brickbats as well as bouquets, but many building supply and home equipment companies are cashing in. Their October business was better than September and much, much better than in October, 1933. Following is a lineup of companies who are using FHA's modernization credit plan with conspicuous success:

	% Sales Gains, Oct.,'34	
Company	*Over Sept.,'34*	*Over Oct.,'33*
Celotex	19	20
Crane	213	175
Delco Appliance	6.8	7.2
Devoe & Raynolds	36	20
Flintkote	25	20
Fox Furnace	50	50
Holland Furnace	Not reported	35
Kalamazoo Stove	48	102
Masonite	25	60
National Gypsum	20	25
Ruberoid	35	16
Upson	10	50

October business of Certainteed Products was 14% better than the same month last year, November business 50% over a year ago. DuPont reports more business than the seasonal trend would justify. Fuller Paint, a small increase in October over September and a material gain over a year ago. National Lead reports substantial gains over September this year and October last year. Philip Carey Mfg. Co. reports October sales 54% over September. American Radiator and Johns-Manville, leaders in the modernization drive, similarly report thriving fall business. Since September, American

STRAIGHT FACTS FOR STRAIGHT THINKING

By

NEWTON D. BAKER, *CHAIRMAN*
NATIONAL CITIZENS COMMITTEE

1. It is true that billions are being spent by the Government in order that people may not die of cold and hunger.

2. But these billions, divided among the families in need, average for each family only about $24 a month.

3. And 70% of the free hospital services in the United States for the needy sick are provided by voluntarily supported hospitals. The sick among the unemployed number 48% more than among the employed.

4. Likewise public health nurses, also supported by your voluntary gifts, report that 66% of all their visits in 1933 were in homes unable to pay for the service rendered.

5. 30% more children have had to be removed from their own homes and cared for by voluntarily supported children's agencies.

6. Two-thirds of all the arrests for crime involve persons between the ages of 15 and 24 years. Millions of boys and girls living under conditions destructive to character need the character-building services of your recreation agencies.

7. A man may die of despair, as well as of hunger, for suicides, numbering 15,368 in 1928, grew to 20,927 in 1932. This shows that more and more people are ceasing to value the only kind of life they are able to attain.

8. America cannot be rebuilt by relief measures alone.

9. Your local community chest needs your support during this year of rebuilding human hope and morale. It supports hospitals, clinics, child-care organizations, character-building agencies and many other social services.

10. When you give in your city, you strengthen the forces of civilization in the neighborhood in which you live.

1934 MOBILIZATION FOR HUMAN NEEDS

Radiator's sales have been up a steady 50%, and its subsidiary, Heating & Plumbing Finance Corp., reported on Dec. 13 a total of 5,000 loans in the first four months of its existence. Demonstrating confidence in continued sales increases, Johns-Manville on Dec. 18 signed long-term leases, taking over complete control of the St. Regis Paper Co.'s subsidiary plant in Oswego, N. Y., one of the largest units in the country producing insulating boards.

November reports to the U. S. Bureau of Labor Statistics from cities issuing permits for additions, alterations, and repairs (separate from new building construction) supply further evidence of the sustained effects of FHA's campaign. For instance, Milwaukee reports a rise from $52,200 in November, 1933, to $285,580 last month, Detroit from $117,088 to $304,639, Chicago from $128,967 to $178,003, Binghamton, N. Y., from $37,733 to $178,367.

FHA is urging industries having no direct interest in housing to support its campaign by showing what FHA is doing for them by drawing idle money into circulation.

Administrator Moffett also is extending the scope of FHA's influence by canvassing industrial firms on plant modernization. Some results: A.T.&T. will spend $200 millions for physical improvements, Standard of N.J. $73 millions, U.S. Steel $40 millions. Frigidaire Corp., anticipating sales of a half million refrigerating and air conditioning units in 1935, announced Dec. 19 its investment of $1.6 millions in retooling and improving its plants.

Auto Labor Protest

A. F. of L. has publicity field day at Detroit employment stabilization hearings.

PUBLIC hearings in Detroit, conducted last weekend by Leon Henderson and his associates on President Roosevelt's commission studying stabilization of automobile employment, resulted in a publicity field day for the American Federation of Labor and other organized labor groups—precisely, think manufacturers, as labor intended. Successfully reading into the record much data to show how acute the problem is, the A. F. of L. proposed (1) a basic 30-hour week, which may be increased to 36 hours during a 10-week peak period annually and decreased to 24 hours in slack times; (2) a basic minimum wage of $1,500 a year; (3) no layoffs until plants are operating on a 24-hour week, and then on a seniority basis; (4) a system of unemployment insurance to provide adequate yearly income for all auto workers.

Matthew Smith, spokesman for the Mechanics Educational Society, advocated a 30-hour week without emergency provisions, minimum wages of $2,500 for tool and die workers and $2,000 for production men, a check on elimination of labor through automatic machinery. Arthur Greer, head of the Associated Automobile Workers, charged code chiseling on the part of both manufacturers and workmen, suggested a government representative be placed in every automobile plant to enforce observance.

Employees' Complaints

Individual auto workers, testifying to their inability to earn a living wage (incomes varied from $500 to $1,000), bitterly attacked insecurity of employment, increased speed-ups tending to weed out older employees, espionage systems, and objectionable bonus and piece work plans. The commission refused to hear criticism of the Wolman automobile labor board or the application of Section 7-a to the industry.

Car manufacturers, who did not participate in the hearings, say the whole thing is a mystery to them. Some, hinting darkly of politics, think the A. F. of L. engineered the show at a time when it badly needed members; others interpret the hearings as a "safety valve" to relieve workers of personal grievances.

The government will have 50 investigators in southern Michigan until Jan. 15. The commission (Henderson, Lansburgh, Lubin) is to make recommendations to the White House prior to expiration of the auto code Feb. 3. About all it can do is to point the need, put responsibility on the industry for taking action, for if manufacturers don't like the turn of events, they are apt to chuck their code.

Mine Peace

American Mining Congress and New Deal find common interests.

THE mining industry seems to have joined the New Deal. No less than this can be inferred from last week's annual meeting of the American Mining Congress in Washington, where the mineral industries made a peace with the New Dealers that is in striking contrast with the bitter feeling of last summer's San Francisco convention.

As a result of realistic second thought all around, there is amazing parallelism between the 7-point program of the Congress, the policy recommendations of National Resources Board, and the Science Advisory Board recommendations regarding reorganization of U. S. Geological Survey, Bureau of Mines, and related government activity of interest to the mining industry. Any one

Harris & Ewing

DOLLAR-A-YEAR MAN—New general counsel for the Federal Housing Administration, Roger J. Whiteford, Washington attorney, will continue his private law practice, get $1 a year salary from the government.

of the three programs announced simultaneously in Washington could be accepted almost in toto by each of the 3 agencies.

The 7 points of the Congress program are:

(1) Technological efforts to promote use of domestic deposits of essential minerals which now are imported in large quantities;

(2) Development of information and technological methods to bring fullest possible production of gold in the United States;

(3) Provision of a national inventory of known reserves of essential minerals and extension of conservation and economic use of those minerals;

Coordinating Job

(4) Establishment of the Bureau of Mines as procurer and distributor of all mining information for governmental agencies, including "New Deal" units as well as "old line" organizations;

(5) Extension of research and development work relating to minerals essential to national defense;

(6) Expansion of the bureau's ability to aid mining operations by impartial clearance of information to the mining industry and to industries which use minerals as raw materials;

(7) Restoration, to its former extent, of the training of miners in first-aid and mine-rescue methods.

New Products

New things, new ideas, new designs, new packages, new manufacturing and marketing methods.

A PROTECTIVE aluminum cap for milk bottles, which covers the entire pouring lip, seals the top tightly against leakage from without or within, is now made by Sanitary Metal Cap Corp.

HUBBARD & Co. offers a new wedge-grip cable-pulling bracket for use in putting up transmission lines. It has hinged jaws, can be applied at any point of the cable, saves labor, facilitates handling, stops waste. Jaw-inserts of Bakelite prevent injury to cable insulation.

A TELEPHONE booth of all-steel, spot-welded construction, circular in shape and with sliding door, is announced by Sherron Metalic Corp. Double steel walls with insulating space between make it soundproof. Closing the door lights the dome light, also starts a small fan which changes the air in the booth every minute and keeps temperatures below the melting point.

A FOOD mill that strains, mashes, or "rices" vegetables and fruits is the newest implement to help "special order" chefs in restaurants and fastidious home cooks. It is of steel, heavily-tinned, has a husky-man-sized handle, is made by Foley Manufacturing Co.

THE Kawneer Co. has started to market a new all-aluminum residential window of the conventional weight-hung type which is supplied in various standard-sized units completely assembled and glazed, ready to install. Shrinking, swelling, warping, rattling, often found in ordinary sash-type windows, has been eliminated, actual area open for light or ventilation increased.

To foil bank bandits the J. H. Wise Co., Inc., now installs at tellers' windows units of bullet-resisting glass placed across a bullet-proof exchange tray so that transactions are visible, while an acoustical panel permits conversation in normal voice.

THE Louis Allis Co. sends its prices on electric motors in the form of a price wheel, two discs, so imprinted and fastened together that when the upper points at the proper hp. and r.p.m. rating, the frame sizes and list prices appear automatically in quotation windows.

THE Hays Corp. has placed on the market a line of electric contact gauges, having cast aluminum housings, designed to indicate and control draft, pressure or flow of gas or air.

Your Platform is an ERIE Siding

• Wherever your location, your shipping and receiving platforms can be on Erie sidings. The Erie picks up less-than-carload freight at your door, loads it for you on fast trains, and then unloads and delivers it to your customer's receiving room. • For incoming freight you can specify to your supplier that he give you the same convenient Erie service. Then you won't have to pick up your shipments at a freight terminal — Erie will do it for you. • The entire door-to-door haul is one simple transaction for you. Erie makes only one charge and assumes full responsibility. You save time and trouble, and no longer have to deal with several agencies. Call your Erie freight agent, and see how helpful this service can be.

ERIE RAILROAD SYSTEM

THE HEAVY DUTY RAILROAD

Plans and Paper Dolls

National Resources Board presents a mixture of thorough fact studies, brilliant thinking, practical suggestions, and pure fancy-work.

THE report of the National Resources Board that emerged this week attempts to translate into concrete terms President Roosevelt's philosophy on national planning. The report is a compound of thorough fact-finding, brilliant thinking, and paper-doll cutting. Continued study of conditions and coordination of development were, in general, the recommendations of the expert committees. These are subordinated by the board to a scheme of visionary planning.

Planning is to continue indefinitely to supply the deficiency in present knowledge. A permanent advisory planning board is recommended to coordinate planning policies of federal, state and local jurisdictions. In the meantime, the technical committees have suggested definite steps towards providing systematic development of water resources, removing the menace of great floods, reducing the losses of soil erosion, eliminating the use of submarginal land, and reconciling conservation with utilization of mineral resources.

Regimentation Denied

In these and many more recommendations which bring government policies into intimate contact with private enterprise and everyday life, the board repudiates any implication that such planning involves "wholesale regimentation," alleges rather that regimentation is a brutal fact in many private industries now and contends that sound planning releases new opportunities for private initiative rather than limits the choice. Principal recommendations:

Land Use—A purchase program to retire submarginal lands at the rate of 5 million acres a year for 15 years. Individual reclamation projects should be considered in relation to each other with reference to available water supply.

Water—In locating projects, drainage basins should be considered as wholes. Studies should be undertaken for integrated development in 17 basins.

Minerals—Extension of NRA forms of control, under government supervision, of capacity, production, stocks, and sometimes prices, coupled with periodic estimates of probable demand. This might be called regimentation but leaders in the industry, judging by the tone of the convention of the American Mining Congress in Washington last week, seem to be prepared to welcome it. Sentiment is by no means unanimous however, and practically all of the oil industry's strategy is directed to eluding any more federal control.

Power—In deference to the National Power Policy Committee which will submit its report later, the board refrains from submitting any recommendations. Its mild observations regarding the government's attitude towards privately owned utilities are interesting. Government development of water power cannot overlook considerations of cost and return but can take a broader and longer view of the returns than commercial companies can afford to take.

"The government will not fail to consider as a factor in the total situation the large sums of capital actually invested by power companies." The critical questions in reconciling the conflicting interests of the Administration and invested capital are how far demand for electricity can be stretched and how much economy can be produced by extending interconnection of transmission lines.

Estimating present investments in excess capacity at 15% to 37%, the board leans to the belief that a vast potential demand would become effective if costs could be reduced and observes that doubling the use all but cuts the cost per unit in half.

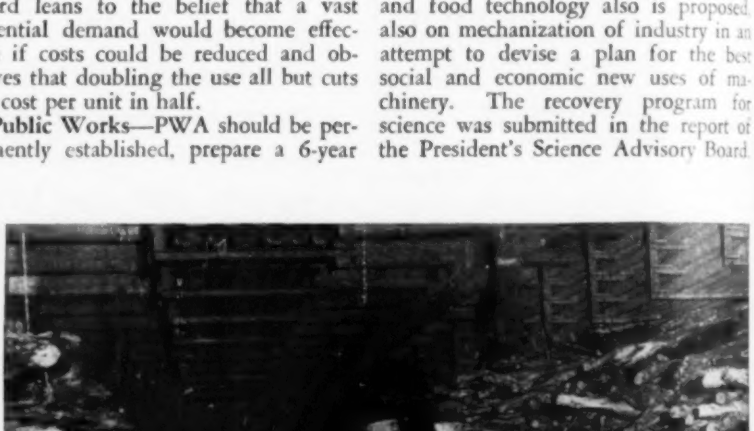
Public Works—PWA should be permanently established, prepare a 6-year budget of construction, revised annually and financed by a lump sum appropriation by Congress. Long-range programs would be developed by advisory committees in cooperation with state, regional, and federal authorities.

Temperate enthusiasm is expressed regarding the effectiveness of public works in stabilizing business. Does expansion of public works retard revival of private construction by checking reductions in costs? Requiring concessions in prices and wages is tentatively suggested.

Reserve Program

A $10-billion "reserve" program is necessary in a country as large as the United States to knock a real dent in depression. Public works can be made a stabilizing device then only if funds of this magnitude can be secured without checking private enterprise or overtaxing public credit.

Research—As a corollary of national planning, presidents of leading scientific and engineering organizations request $16 millions to finance a 6-year program of research in the natural sciences and their application to extension of public works, conservation of natural resources, determination of physical and chemical properties of materials of potential usefulness to industry and engineering. Extensive research in biology, medicine, and food technology also is proposed, also on mechanization of industry in an attempt to devise a plan for the best social and economic new uses of machinery. The recovery program for science was submitted in the report of the President's Science Advisory Board.



Acme

RELIEF RUMBLINGS—On the heels of Senator Borah's attack on the administration of federal relief, have come other scattered charges. This view inside New York's Bronx Terminal Market shows local relief officials inspecting part of the 14 million lb. of frozen veal in storage there, after assertions that, through sluggish distribution, meat, along with other provisions, was spoiling while people went hungry. P.S. They found the meat undamaged.

Technocracy Reborn

New Deal survey supplies resurrected Technocrats with a "bible."

TECHNOCRACY is having a new deal, thanks to New Deal money. A group that rode the tail of Technocracy's original meteoric rise and fall is bringing forth a 1934 model hoping to regain the attention more recently monopolized by EPIC, the Utopians, Townsend Plan, the Dictator of the Delta's "Share-the Wealth."

Resemblances to 1932's popular economic philosophy are vague, but the name is preserved. (After all, it did catch on.) To it is added a name resembling that of another much publicized group—The Committee of the Nation. Result: Continental Committee on Technocracy. It was launched in New York last week with fond hopes of blossoming into a national issue.

The New Deal supplied the new movement with its "bible" by financing the National Survey of Potential Product Capacity (*BW—Aug11'34*). Sponsored and directed by leaders of the Continental Committee, that investigation is said to have exploded scarcity theories of economics, to have demonstrated that there is plenty for all. Actual results are as yet unpublished, and those in charge, seemingly forgetful of the public nature of their project, are debating methods of private publication in the indefinite future.

A Fresh Credo

However, the survey presumably furnishes a "foundation of facts" for the new gospel which skips all imponderables of the old Technocracy. (As one of the promoters put it, "I never did understand the "erg" dollar anyway.") The Continental Committee's credo runs about as follows: There are plenty of raw materials, labor, power, and processing and transporting facilities to produce $135 billions worth of goods and services annually. This would provide each family with $4,400 worth annually, including all necessities and some luxuries. In contrast, the best that has ever been done was $95 billions in 1929, when the bulk of our 30 million families had less than $1,400 each.

All that is needed now is a motive force—a will to go ahead—and practically over night every family would have an abundance of everything except yachts. So say Technocrats.

A hint at more practical methods for inaugurating this "Plan of Plenty" is given in the personal philosophy of one of its prime movers. He observes that water was sold until it was finally provided in abundance and made available to everyone at the cost of piping it. Therein he finds the answer to getting $135 billions worth of living to the people, for after all, the National Survey of Potential Product Capacity has revealed that everything is as plentiful as water.

As a nucleus for Technocracy's revival there remain a few faithful followers from 1932. The group boasts a stronghold in Washington state and control of a majority in that state's legislature. Other devotees are said to survive elsewhere; included among sympathizers are some in the legislative halls of Washington, D. C.

Safe Surpluses

Treasury gives assurance that it will be reasonable about corporation surpluses—so long as the corporations are.

CORPORATION surpluses are not to be amputated through application of the penalty taxes aimed at them in the 1934 Revenue Act. At least, operating companies which are innocent of withholding dividends in order to relieve shareholders of surtax payments have no occasion for fear that their backlog of reserved earnings will be chopped up by the Treasury. Assurance to this effect came from Secretary Morgenthau this week, confirming the interpretation received by most corporation executives who have sought advice of counsel on this question.

According to tax experts, Sec. 102 of the 1934 Act which covers this subject is little different from Sec. 104 in the 1932 and 1928 Acts, or from similar provisions in each preceding law back to the first one in 1917. Since that time, internal revenue collectors have looked suspiciously upon comfortable surpluses as possible harbors of incomes that would fall into the lucrative surtax brackets if passed on to individual shareholders. So far, the only consequential collections have been made through compromise settlements involving tax dodging by means of dummy corporations. Significant changes in the new Act, as far as they apply to operating companies, are limited to reductions in the penalty and a sliding scale that levies 25% on improper surpluses up to $100,000 and 35% on those above that figure. Higher and flat-rate levies have been the rule in previous acts, that of 1932 setting a 50% rate.

Incentive to Dividends

Tax experts suspect that the Treasury is "beating the bushes" in calling such pointed attention to the latest version of the law. Any larger dividends flushed would swell 1935's income tax receipts to the extent that they go to surtax payers; they would also contribute to buying power, hence to business revival.

It is also thought that the Treasury stretched a point in trying to give the law wider application. Its pronounce-

"YOU BET
our quality is uniform"

Yes—plant executives are reporting that Bristol's Automatic Process Control keeps product quality uniform. Each day's output is like another's. Rejects, re-runs and seconds are drastically decreased, often abolished.

Think what this means in the way of lower costs, customer satisfaction, profits!

Bristol's Process Control is both a means and a method—both equipment and engineering. As the former it consists of controllers and recorders for regulating process conditions such as pressure, temperature and flow—instruments that have been developed and perfected and now are supplied in standardized units whose cost is trifling in comparison with the ultimate savings effected.

As an engineered method or system, Bristol's Control is prescribed only after a thorough examination or diagnosis. It is coordinated into plant activities by Bristol's Industry Specialists who, in working out the engineering details, never lose sight of the fundamental economics.

A request for a preliminary discussion entails no obligation—yet may open up new opportunities you may have overlooked.

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PROFIT-PROMOTING
PROCESS CONTROL

ment of policy intimated that a soap company, for instance, could not accumulate funds from earnings to go into the grocery business. The question is whether the direction of corporation expansion falls within the Treasury's jurisdiction. A more general view is that the corporation's charter determines its rights to expand in diverse directions and consequently its privilege to lay aside funds for any future plans that it may visualize.

Ample Leeway Left

The law, as applicable to operating concerns, depends for its teeth upon the interpretation of "reasonableness" of the purpose for which surpluses are built up. Within the limits of that word, it is felt that operating companies have ample leeway to justify any dividend policy the directorates choose. That observation excepts cases where policy is obviously dictated for the benefit of surtax-paying shareholders who prefer to let earnings pile up, hoping the present surtax scale (from 4% to 59%) will be reduced in future years.

Holding companies, which have less tangible reasons for not passing along dividends received from subsidiaries, may find the tax applicable to them, and it is expected that private investment companies will provide less evasion than has previously been the case. However, it is questioned if the law has yet made provision for the investment trust type of company which might reasonably reserve a part of current earnings to assure continuity of its dividends and to expand the investment estate of its stockholders.

For business organizations as a whole, however, the traditional policy of plowing back earnings has not been legislated out of existence. No better testimonial for its continuance could be found than the Treasury's own tabulation of corporation income accounts made from income tax returns. For instance, in 1932, among the 369,258 corporations that reported a combined deficit of $7.8 billions, there were enough able to continue dividends to give stockholders $1.6 billions. The 82,646 corporations that stayed in the black paid out $2.3 billions, or $150 millions more than they earned that year. In all $1,750 millions were added to stockholders' incomes from the corporate savings of more prosperous years.

Acme

ROBERT P. BOYLAN—First vice-president of the Chicago Board of Trade, he has been chosen for president by the nominating committee, assuring his formal election Jan. 7. He succeeds Peter B. Carey, president for the past 3 years.

Liberalizing Credit

Treasury inquiry finds that banks and government lending agencies have been too tight with borrowers, recommends changes to ease recovery.

THE Administration's new bank legislation program, if patterned on lines recommended by the Treasury's special survey of credit conditions, just released, will involve liberalization of policies under the existing system. No fundamental organization changes are suggested and the only new agency mentioned is a possible successor to the Reconstruction Finance Corp., should it discontinue its direct lending to business. Even that would be designed for temporary service until commercial banks took up the load.

But, within the scope of the present machinery, the traditional functions of commercial banking would be vastly revamped. Banks would lend for 6 months and offer the privilege of indefinite renewals so long as the borrower paid his interest and kept his financial statement clean. The Federal Reserve Banks would discount this 6-month paper, allow renewals without limit.

Examination of banks would be conducted on the same principle, the "Slow" classification going out of the examiner's vocabulary.

Such changes are found essential upon the disclosure of a real, if overestimated, stringency in credit, according to the long-awaited report of the investigation of conditions in the Chicago Federal Reserve District by Dr. Jacob Viner, University of Chicago professor, and Charles O. Hardy, of Brookings Institution. Throughout, the report confirms the findings of a preliminary investigation conducted by the Department of Commerce and released a month ago in error (*BW—Nov17'34*).

The committee concluded that 20.9% of some 1,788 loans rejected by commercial banks had been entitled to better treatment. Another 5.9% would have been good for amounts less than asked. This included all types of loans, of which the greater part (70.1%) was for long- or short-term capital purposes, another 23.5% being strictly commercial in character. Among the rejected loans of the latter class, the committee judged 32% to have been acceptable according to its standards of banking and another 7.1% eligible if scaled down in amount.

Like the earlier report, the showing of the governmental relief lending agencies was worse than that of the private banks. The committee found that the Federal Reserve Banks are too strict and the Reconstruction Finance Corp. more so. It suggested that, if either or both are continued until commercial banks are ready to take care of business, their procedure must be simplified and their policies liberalized. Some borrowers told the committee they had incurred expenses of $50 to $10,000 in making RFC applications.

More Contact Points Needed

Solutions offered for this problem include getting the Reserve Banks out of the business altogether and concentrating activities in a "liberalized" RFC or in some other agency especially equipped for the purpose. Whatever means is provided, said the report, there should be offices scattered throughout the country with one in every city of 50,000 population or more. The agency should be empowered to make loans for purchase of equipment, now prohibited for RFC, and be more liberal about loans to help clear up outstanding indebtedness.

Full correction of the complaint of small businesses cannot be brought about through commercial banking, the committee admitted. Too many of the would-be borrowers need partners, instead of creditors. It also recognizes that the usual channels of capital have been clogged more seriously than bank credit and looks for some relief to business from this direction.

How many do *you* remember?

(*A Lesson for Advertisers*)

ABOVE are listed ten of the best-advertised people of the year 1929. They made newspaper front pages all over the land—which is more than money can buy for any advertiser.

Yet how many can you identify today?

If your advertising ceased when the New Era passed out, and you're under the impression that your prospects haven't forgotten you, let this be a gentle reminder. Not only have 1929's buyers forgotten what you told them five years ago, but today there's a new crop of buyers who never even saw those sales messages of yours!

If your product is worth selling today, it's worth advertising today. Those who sell to business and industry can do it for a modest sum . . . if they choose the "waste-proof way"—through McGraw-Hill Publications. Here you pay to reach the men who buy, and only the men who buy, in the worthwhile companies in your field.

Give your product a break, your sales force some inspiration, your competitors some real competition—with consistent advertising in McGraw-Hill publications.

* *Just so they won't keep you awake tonight* . . . 1. Captain of the S. S. America, who made a thrilling rescue at sea . . . 2. Seattle girl who married a Hindu Monarch . . . 3. Northampton, Mass., philosopher cobbler and friend of Pres. Coolidge . . . 4. Sister of Vice-President Curtis . . . 5. Governor of Massachusetts at time of Sacco-Vanzetti trial . . . 6. Flier who crossed the Atlantic with Roger Q. Williams . . . 7. Commander of the Graf Zeppelin . . . 8. Was married to John Coolidge . . . 9. Asst. U. S. Atty. Gen. in charge of prohibition enforcement . . . 10. 100-year old Grand Sachem of Tammany Society.

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War Profits

Roosevelt talks of war profits but his real concern is efficient mobilization of men and machines.

INDUSTRIAL mobilization is the major objective in the President's proposal to take the profit out of war. To the lack of industrial coordination in the World War the President attributes continuing overproduction, enormous profits and salaries which, in his opinion, served to bring on the depression. Satirical comments are that the President's plan would make wars cheaper and that the Baruch committee's recommendations may teach a lesson that has practical application to industrial operations in peacetime.

The President has been reflecting on his what-price-war proposal for several months but deferred announcement until it could no longer affect the London naval conference. It is, of course, another polite expression of confidence in Japan's pacific intentions.

War-Time Only

The proposal relates only to the war-time policy to be pursued by the United States. It does not define the position of the United States as a neutral. The President did capitalize the popular interest that has been aroused by Senator Nye's investigation of the sale of munitions to foreign countries. That takes the punch out of the inquisition by the two Republican senators, Nye and Vandenberg, steals the show, saves the War and Navy Departments some embarrassment regarding their relations with munitions makers, and forestalls the Senate committee's recommendation for nationalization of the industry.

Reunion in Washington

The President's plan enlists General Johnson in a new crusade that may take his mind off NRA. It puts the author of the wartime draft act back in the harness, with his sponsor, Bernard M. Baruch, chairman of the War Industries Board. Both are highly enthusiastic over the President's proposal because it is their idea. Both were star witnesses in the hearings before the War Policies Commission which, under the chairmanship of Patrick J. Hurley, recommended in 1932 a broad program to trim war profits. Baruch proposed legislation prohibiting the purchase or sale of goods and labor at a higher price than that prevailing before a date to be specified by the President, in whom would be vested authority to adjust prices and to license all forms of business. A high wartime profits tax also was recommended by Baruch.

The Hurley commission recommended legislation, only to be pigeonholed later, making available to the President the manpower and material resources of the nation. Other bills were drafted to govern the acquisition of private property and to set up the machinery for mobilization of industry through creation of a war trade administration, war finance corporation, and a capital issues committee, also of a bureau of marine war risk insurance.

There is not likely to be anything particularly novel in theory in the plan to be submitted to the next Congress. Its enactment would probably affect considerably the peacetime policies of industries which are the principal suppliers of war materials.

Harris & Ewing

WARRING ON WAR PROFITS—Bernard M. Baruch (right) has been named to supervise the task of drafting a legislative program "to take the profit out of war." The same job brings back to Washington his long-time friend, General Hugh S. Johnson. Both have plenty of inside knowledge for the work—Mr. Baruch headed Wilson's War Industries Board, the General ably assisted him.

Sears Abroad

New subsidiary will handle foreign business, complicated by present trend toward barter.

SEARS, ROEBUCK & CO. has taken steps to develop a broader foreign market with the formation of a new subsidiary, Sears International, Inc.

Factories of the company manufacture farm implements, paints and varnishes, cameras, phonographs, pianos and organs, shoes, and cut lumber. These Sears-manufactured products represent about 5% of Sears' total mail order and retail business. A part of the factories' output is sold in foreign markets. South Africa has long been a market for a modest volume of farm implements, Australia for pianos.

Like most of the other chains, Sears buys most of its merchandise within this country. Last year, purchases abroad amounted to less than 1% of the company's stock of merchandise. Sales ran to $290 millions, indicating that imports probably did not exceed $2 millions. Included were Christmas tree ornaments, a few glove specialties, perfumes, and miscellaneous goods.

Sears has buying offices in London and Berlin. How far it intends to supplement this organization is not revealed by George F. Dixon, former General Motors executive, who heads the new subsidiary. It is known that the company will be prepared to handle a certain volume of barter deals which present emergency trade barriers are making increasingly necessary.

Whether or not it enters the Sears scheme, the stubborn determination of Germany to reduce foreign trade to a "buy-from-those-who-buy-from-us" plan is causing many American companies some worry. Any American company buying German goods and having something to sell the Germans is in an enviable position just now.

Though Germany is the largest potential market trying to force trade into

these barter channels, other European and Latin American countries incline toward the idea, and consequently a relatively small but profitable business might be built on a plan such as Sears seems to be developing. In the case of Sears, it will help to keep American factories busy without bringing into the country a flood of competing merchandise.

Ottawa Rail Plan

Canadian official proposes state and private capital partnership to solve railroad problem.

OTTAWA (*Special Correspondence*)—Two great rail systems sprawl across the breadth of Southern Canada: Canadian National (government owned, and operating at a huge deficit which continually drains the Canadian treasury—and taxpayers), and the Canadian Pacific (privately owned, and profitable).

Because the two lines largely parallel each other from coast to coast, and because the 10 million Canadians and their industrial freights fail to utilize these two huge systems anywhere near capacity, there has been a strong move recently to merge them or to force cooperative operation.

A \$2-billion state and private capital partnership corporation to own and operate all Canadian railways is the latest plan for combating the country's huge railway losses. Because it is proposed by the Hon. W. D. Euler, former Liberal federal minister and until now foremost parliamentary champion of continued state ownership of Canadian National Railways, the plan has attracted nationwide attention. It will be discussed in parliament, probably next month.

A 5-Point Plan

It is a 5-point plan: (1) creation of a holding company, Canadian Railways, Ltd., with capitalization of \$1.6 billion of 5% debenture stock, \$400 millions of common stock; (2) maintenance of separate corporate entities by Canadian National and Canadian Pacific; (3) retention by each road of present liabilities, but pooling of assets with the holding company, each receiving in return half of the debentures and common stock; (4) setting up of a board of 12 directors, 6 appointed by the Dominion government, and 6 by the Canadian Pacific; (5) agreement that the new company will operate the two railways as one system.

Euler claims the amalgamation will ensure the fixed interest rate on debenture stock and something for dividends on common stock, thereby overcoming the annual deficit on Canadian National, ranging from \$50 to \$80 millions, now borne by taxpayers. It would also per-

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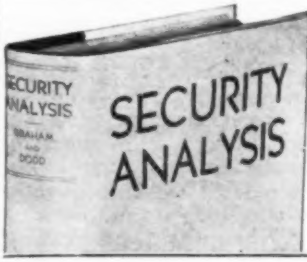

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mit the Canadian Pacific to meet bond interest and pay dividends on preferred and common stock. The plan, however, would limit the dividend rate on common stock of the holding company to the highest ever paid by Canadian Pacific. Profits beyond that point would go to the government.

Watch Russia

Industrial gains under the various Soviet "Plans" become real—and significant—when compared with our own.

MOSCOW (*Special Correspondence*)—Russia produced more pig iron in the last 3 months than any other country in the world. This news caused quite a stir in Pittsburgh. True as it is, the United States will still be the leading producer when all 1934 is totaled.

More than a year ago, the British—inclined to depreciate Soviet industrial progress—were shocked to hear that the Soviets produced more electric power than they did. In fact, only the United States, Germany, and Canada have more current to run their industries, light their homes. There is every promise that in a few more years the Soviet Union will be second only to the United States in power production.

Because Russia since 1928 has been working definitely on a "plan" to industrialize the entire country, and because the world depression has only slightly modified this plan, not upset it, the recent trend in almost every branch of Soviet business has been upward, and according to a fixed schedule.

A Steady Climb

What is not generally realized is the comparative position to which Russia has climbed under this steady expansion of industrial activity. Only the United States, Britain, and Germany, for example, now produce more coal than the Soviets. Automobile production already exceeds Italian output, may soon catch up with the French. The United States and India produce more cotton. Only the United States produces more oil. World gold production figures for 1934 are expected to show Russia in second place, though still a long way behind the world's premier producer—South Africa—and only slightly above Canada and the United States. The forty-seventh automatic telephone system in Russia was recently established in the old city of Tiflis. Nine all-Russian steamship lines now operate to foreign ports, principally in Europe, though one runs to the United States. Trial runs over Russia's first subway were made in Moscow in October, and construction has begun on a 22-story building, including 29 broadcasting studios, which is to be Moscow's "Radio City."

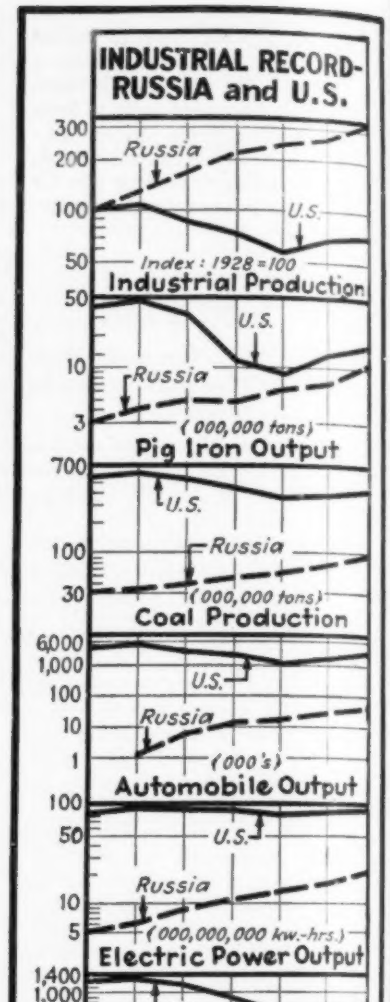
Although Russia's exports have more or less followed the general downward trend, it is significant that industrial output in almost every line has been maintained, indicating the tremendous capacity of the country to absorb both raw materials and finished products. If the world depression had not reduced the ability of other countries to absorb Soviet goods, Russia might have continued her enormous purchases abroad on approximately the same scale as in 1929 and 1930.

Though Russia maintained output during 1933 in most of the lines charted by *Business Week*, gains were much smaller than had been originally planned. The war scare in the Far East caused Moscow quietly but promptly to modify its Plan and shift emphasis in the manufacturing industries to military equipment. All that was accomplished in that line has never been fully revealed, but it is known that vast supplies of war materials are stored, that the country's aviation service is probably comparable to any in Europe, that trans-Siberian transportation systems have been hastily improved, that colonization and industrial development of Siberian Russia have been intensified.

Only in 1934 did Russia return to the Plan with, even now, a new emphasis on the food supply and transportation. Compared with an increase in unsettled 1933 of only 6.4% in the gross value of production in the four leading industrial departments (heavy, light, and food industries, and flour milling), production gains this year will exceed 20%. Outstanding increases in other industries are: coal up 22%, pig iron 70%, steel 84%, house furniture 31%, locomotives 21%, and sulphuric acid 22%.

Foreign Trade Prospects

Foreign trade is expected to show definite gains next year following the signing of new reciprocal trade agreements with France and Britain this year, and the revival of Russo-German trade. Though it will not be known before January (when the Soviet ambassador to Washington returns from Moscow) whether or not the old Russian debt question is settled so that foreign trade between the United States and Russia can develop under the stimulus of the First Export-Import Bank, it is likely that American industry will find some means of its own, if necessary, to finance large orders long held in abeyance by the diplomatic controversy in Washington.



Business Abroad

Political aspects of so-called "economic blocs" in Europe bared by recent feverish activity and diplomatic skirmishes. Christmas trade brisk in most countries. Europe vies with United States and Japan in drive for Latin American markets.

EUROPE has been working feverishly on a bloc system ever since the London Economic Conference in June, 1933, failed to agree on any overall plan of economic cooperation for the entire world. This mania has attracted public attention in recent months, because it has obviously shifted from its original purpose of furthering trade within the group to the strengthening of political alliances.

The whole movement is still in a state of flux, largely due to the actual or potential reshuffle of European political groups. The blocs now existing or still in the process of formation, however, can be roughly divided into 3 main groups, according to the principles on which they are founded: currency blocs, regional blocs, and political blocs.

Currency Blocs

Most familiar is the "sterling bloc," which includes, besides the British Empire, Denmark, Norway, Sweden, Finland, and Estonia. Beyond the fact that Great Britain has successfully concluded favorable trade agreements with each of these nations, and that they have traditionally carried on their major foreign business with London, there is no formal tieup of this group.

Until recently, the "gold bloc" was equally informal in its grouping. Last fall, however, Belgium invited the other members (France, Switzerland, Italy, and Holland) to Brussels to talk closer cooperation. In this combination, France is the "giving" partner. The bloc's ultimate fate will largely depend upon the concessions which France is prepared to grant to Belgian industry and to Dutch and Italian agriculture. Leaving aside Germany with her artificial gold-parity currency (with a number of parallel devaluated export cu :encies), Poland is the only European "outsider" of some importance who on formal grounds could claim admittance to the gold bloc. In fact, she was admitted to the Brussels conference but seems at present to gravitate more toward Germany than to the more distant West European gold currency states.

Regional Blocs

Two regional blocs in northern Europe are purely economic: the Scandinavian bloc (Denmark, Norway, Sweden, and Finland), and the Baltic bloc (Latvia, Estonia, and Lithuania.) In both cases, conferences of the respective foreign ministers were held last fall to discuss the possibilities of closer economic cooperation. The Scandinavian bloc already forms a part of the wider sterling bloc, but its underlying idea is to increase its bargaining position in relation to Great Britain as the dominating partner. From the economic viewpoint, the weakness of both blocs consists in the fact that their interstate commercial relations are limited and their national economies are rather of a competitive than a complementary character, so that the possibilities of creating anything approaching an economically self-supporting unit or group are restricted.

Political Chess

In contrast with the two northern blocs, the common characteristic of the three economic blocs of southern Europe is that political purposes demonstrably predominate and that the economic rapprochement is intended primarily to underprop political alliances.

These blocs, partly overlapping, are: (1) the "Danubian bloc," including Italy, Austria, and Hungary; (2) the "Little Entente," including Czechoslovakia, Rumania, and Yugoslavia; and the "Balkan bloc," with Yugoslavia, Rumania, Greece, and Turkey.

Of these blocs, the Danubian has assumed the more definite shape by the Rome protocols signed last spring. The initiative belonged to Mussolini and the purpose was eminently political—to divert Austria and Hungary from Germany by offering them definite economic advantages. Like France in the gold bloc, Italy is the "giving" partner, and its ultimate success will depend on how far Italy will be prepared to go in making economic concessions to the two smaller partners. In some cases these are only possible at the expense of Italian agriculture and industry.

"For Better Business"

The Little Entente, heretofore politically dominated by France, has only recently endeavored to create an economic foundation for its political structure. An "Economic Council" of the Little Entente has been set up, which is holding its meetings simultaneously or parallel with the regular conferences of the foreign ministers. Its attempts to promote interstate commercial relations have so far shown little success and the agenda of the Economic Council have been limited mostly to inoffensive formal business. Of the three members of this bloc, two are purely agricultural (Yugoslavia and Rumania), while industrialized Czechoslovakia also has a highly developed agriculture which prevents it from offering adequate advantages for Rumanian and Yugoslavian agrarian exports.

The Balkan bloc, established by the Balkan pact last spring, is the youngest of all. All endeavors to lure Bulgaria into the combination have been abortive.

The attempt to underprop this newly-born political alliance by an economic bloc is of still more recent date. At the conference of the Balkan bloc held at Ankara early in November it was decided to establish an Economic Council, along the same lines as that of the Little Entente. At this meeting it was also resolved, at the initiative of the Turks, to found a common "Balkan Bank" with branch offices in the capitals of all member countries; yet the realization of these ambitious plans is more than uncertain.

Germany Isolated

It will be noted that Germany is left outside this bloc movement in "splendid isolation." Serious steps have been taken by Berlin to bring about an economic rapprochement with her only political ally, Poland, whose tie-up with the gold bloc is only a loose and formal one. There are, however, indications that the German-Polish economic entente may form the nucleus of a new economic orientation of several eastern European countries. The French hold over two countries of the Little Entente—Yugoslavia and Rumania—is distinctly loosening. Germany's endeavors to create a new basis for raw material supplies in southeastern Europe have already met with considerable response in both Rumania and Yugoslavia. This indicates the possibility of the formation, in a more or less distant future, of an Eastern bloc embracing Germany, Poland, Rumania and Yugoslavia. The realization and success of this economic scheme will largely depend on whether German diplomacy will take advantage, with more skill than usually, of the favorable constellation created by the estrangement, actual and potential, between the Little Entente and France.

Great Britain

Christmas rush surpasses expectations. Government prepares market for final conversion of high interest bonds.

LONDON (*Cable*)—England is on a spending spree this Christmas. Nearly a thousand extra trains are running the crowds into London and other metropolitan centers to do Christmas shopping. Rail passenger traffic is already 50,000 above the figure for last year. Air mail loads have reached record highs, and note circulation is far ahead of last year. Record employment is creating new buying power.

Lloyd George's campaign plans, with one plank in the platform advocating a "planned economy," another nationalized banking, and a third subsidized agriculture, indicate that he is aiming to win a following from Right Wing Laborites and Left Wing Tories. Meanwhile, the National government's schemes for the rationalization of industry are making progress. Latest move is the acquisition of additional textile mills by the Lancashire Cotton

Underwood & Underwood

STRONG COMPETITION—Rivalry for South American air commerce is growing more intense as the 3 major airlines tapping that continent with regular service place faster and better equipment in the field. Pan American, using American commercial aircraft, leads with its far-flung coverage of South America, but Air France and Germany's Luft Hansa (both mail only) are building up heavy trade. This plane, one of Pan American's Douglas transports, is shown arriving over Buenos Aires from Santiago, Chile.

Corp. If, after a fixed time, the corporation still does not have complete control of the industry so that it can carry out rationalization schemes with its own initiative, the government will step in and force the move on recalcitrant mills.

Cheap Money Is Vital

The market for gilt-edged securities showed new strength this week on the latest announcement from the Treasury that "cheap money is a vital part of government policy." It is now expected in London that there will soon be a new government offering of £200 millions to meet maturities next April and the conversion of other outstanding issues to rates in line with the present reduced interest levels. Completion of this financing will probably turn a fresh volume of idle funds toward industrial investment.

Under the surface things are being prepared for the Imperial Conference which is scheduled to meet in London next year. Australia has given a good lead by its new customs schedule which makes a change in computing duties on British goods entering the Commonwealth. It provides for 104 reductions and 11 increases of British preferential duties, and 15 increases and 101 reductions in general tariff rates. Of the 104 reductions of British preferential duties, 19 are non-protective, and of the remainder, 37 are duties increased by the Scullin Ministry.

How far such questions as tariff changes will occupy the Conference is doubtful. It is likely that imperial defense, imperial migration, and high political matters will be in the forefront.

There is still great perturbation as to the population question in Australia. In the sub-tropical areas a "white" Australia is not practical. Australia will not tolerate yellow immigration and dislikes any idea of indentured labor. But a vacant Australia is evidently doomed to cause trouble. It is possible that in the future some approach may be made to Italy. The Italian blood would be well adapted to the conditions, and intermarriage between European races would not be considered an outrage. The difficulty would be that Italian migrants might tend either of their own will or because of local feeling to live in "colonies" and thus bring the Commonwealth no nearer the need which is a native bred race better able to adapt itself to the climatic stresses of those areas.

Germany

Christmas trade is brisk. American companies in barter deals with Germans. More insurance written; largely group policies.

BERLIN (*Wireless*)—Religious and political tensions in the news coming out of Germany probably are hiding from the world the fact that Christmas trade this year is brisker than for several years. The boom is not confined to Berlin. Crowds are thronging to every big shopping center. Money is circulating in vastly increased volume. Only textiles are selling in slightly smaller volume than a few months ago. This is due to the fact that the public is no longer panicky over the prospect of a clothing shortage this winter. The strict regulation of imports has not been lessened, but the public has more confidence now that domestic stocks of raw materials are larger than were at first believed and that imports of such an important item as cotton will be facilitated.

U. S. Deal Off

The better informed traders in Berlin are convinced this week that the cotton barter deal with the United States has fallen through, at least for the present (*BW—Dec15'34*). Negotiations will continue, however, and Germany will no doubt meet an important part of her raw cotton needs in the United States for some time.

International barter advanced another step this week when the Sun Oil Co. (of Philadelphia) agreed to receive 3,750 tons of 6-inch steel pipe from Germany in payment for lubricating oils which have been delivered in the Reich. Another order for steel was placed in Germany a few weeks ago by American oil companies who are replacing equipment destroyed in the Argentine early this fall. The order was placed on the same basis to "work out" blocked balances in Germany.

The German steel industry, in fact, is prospering, and dividends are being resumed by some companies, though on a modest scale because of the Nazi ban on dividends above 6%. The Klockner works were the first to resume pay-

ments, with 2½% on the business year ended June 30, after having advanced depreciation charges 50%. Steel trade is seasonally dull just now but has been operating at 2-shift capacity during recent months. Almost all mills are investing in plant modernization and replacement of obsolete machinery.

The great Krupp works is booking a number of foreign orders on a barter basis. One of the largest is a $9-million order from Turkey for railroad materials, steel, machinery, and electric equipment, for which payment will be made in Turkish hides, fruits, ores, and wool which will be utilized by the Reich. South American and Far Eastern business has been booked on a similar basis. Krupp passed its dividend recently but distributed instead bonuses among employees. Laborers are reported to have received from $4 to $16 each while office workers were paid from 10% to 25% of their monthly salaries.

More Insurance Sold

The German Institute for Business Research reported recently on the sales of new insurance in Germany in the first 8 months of this year. Total sales ran 50% ahead of the same period last year, with average monthly new business totaling about 230 million marks, in contrast with an average last year of only 150 millions. The large volume of group insurance written since last fall accounts for a large part of the increase.

Government finances are improved as a result of better business and a larger tax return. The Finance Minister has made public an estimate that available resources this year will be 2½ billion marks above the level a year ago. One billion is due to increased tax revenue; the balance to the savings on unemployment relief.

Share prices on the stock exchanges are still depressed because of the anticipated policy of the government of forcing industry to finance various new projects intended to make the country self-sufficient.

France

New Premier, proving himself "strong man," boosts confidence.

PARIS (*Wireless*)—Everyone in France, except possibly the farmers, is looking forward to Christmas with more confidence than at any time in several years. The new premier is turning out to be something of the "strong man" France wants. He has forced through the Chamber a bill which frees the government from its expensive policy of supporting the price of wheat. Other similar economies are likely soon to reduce the cost of living. The more hopeful expect it to drop as much as 10% in the next few months. His cabinet's foreign policy is firm but conciliatory. His thorough knowledge of economics has won the confidence of executives.

The true budget position is likely to be revealed soon, and may cause some dismay. The Senate committee investigating tax income in recent months has intimated that they are down more than was publicly admitted in the recent budget discussions and that the deficit for 1935 may run as high as 4 billion francs instead of the half billion mentioned last month. Treasury borrowing, it is estimated, will run as high as 12 billion francs.

Latin America

England sends cotton mission to Brazil. Chile may resume interest payments on foreign bonds.

WHEN it was announced in Rio de Janeiro recently that Brazil would utilize 46% of all foreign exchange available for commercial obligations to settle bills due in the United States, the British were perturbed. France, because it buys a large volume of Brazilian coffee, received the second largest apportionment of foreign exchange. British creditors were relegated to the "miscellaneous" group.

Brazil's major exports are coffee, cotton, and cocoa. Britain buys coffee from Central America, and cocoa from Africa. Cotton is purchased in the United States and India. Brazil's output on a scale large enough to permit heavy exports is new this year. Britain is promptly investigating the possibility of increasing raw cotton purchases in Brazil, hoping in return to sell more British goods to the Brazilians. Lancashire reduced imports of United States cotton this year, increased its purchases from Brazil. Even then, Brazilian shipments to England were only a small part of Lancashire takings.

Bound for Brazil now is a British Cotton Mission, sent out by Lancashire, to survey Brazil's potentiality as a major supplier. Acreage under cultivation, grades, storage, and credit facilities will be studied. Results are being watched closely by United States growers.

Chile Will Pay

Chile is considering a New Year's gift to foreign bondholders. Already formulated by government officials and likely to become effective after Jan. 1 is a plan to resume service payments on defaulted Chilean bonds. Dollar bonds alone total more than $240 millions at par. As contemplated now, the Chileans will pool the government's share in the profits from the nitrate industry and income from copper exploitation, and utilize half this sum—whatever it may total—to meet payments on interest due the other half to amortize the debt.

Colombia is not expected to unblock foreign exchange for some time, according to reliable reports from Bogota, and there is small prospect of early resumption of interest payments on the foreign debt. Government officials claim they must continue to control foreign exchange in order to hold the peso steady somewhere near present levels, to drive trade bargains with other countries, and to strengthen their control over the internal situation during the present period of uncertainty.

Current discussion of the new budget is a worry to business. There is a deficit and officials are divided on future policy. One group would devalue the currency, another would reduce expenditures, especially on the military. Outcome should be known shortly after the first of the year, but it is expected now that expenditures will not be cut but that revenue will be enlarged by an increase in income taxes, and, probably, greater revenues for export taxes if world recovery continues.

Canada

Christmas buying reflects big income gains, especially among farmers. Bond prices soar despite low interest.

OTTAWA—An outstanding factor in the current Canadian financial and business situation is the bond market. While interest rates on federal, provincial, and municipal securities are steadily coming down as new issues are floated, prices are rapidly mounting. Not for many years has the bond market been as buoyant. Between April, 1933, and December, 1934, Dominion of Canada 1959 4½'s have risen from 90 to 108. Other issues show corresponding gains. Dominion of Canada conversion loan bonds issued last month are quoted now 6 to 7 points above the issue price. Financial statisticians say the renewed strength is spreading to municipal and corporation securities. Recent Province of Ontario issues carrying interest rates around 2% and lower were promptly taken up by underwriters.

Canada's field crops for 1934 are valued by the Dominion Bureau of Statistics at $536½ millions, $113 millions above 1933, and the highest since 1930. Greatest value increases this year are in grains and hay, while potatoes and sugar beets show a decline. Field crop returns to the province of Quebec will be $30 millions over last year, to Ontario $17½ millions.

For the first 8 months of the fiscal year to Nov. 30, federal government revenues are $28 millions better than for the same period of last year.

Radios in Demand

Sales of radio sets reflect better buying power. In the third quarter they were 45% ahead of the second quarter, and 143% over the corresponding period in 1933. Prairie provinces increased their purchases by 100% over the same period last year.

For the past week chain store operators have had their innings before the price spreads and mass buying commission. They entered denials of evidence of dishonest practices, professed a desire to eliminate unethical methods, submitted recommendations for improvement in buying and selling policies, and in wages and working conditions. Dominion Stores, and Stop and Shop—accused among others of short-weighing—are now having scales inspected 4 times a day. A & P have greatly extended the list of bulk goods on which store managers are allowed credits for shrinkage.

Money and the Markets

Cut in interest rates shows strength of government financial controls, helps long-term market. Bond situation renews talk of early refunding operations. Stocks drift despite bullish sentiment.

THE financial community and financial executives of corporations have one outstanding question before them—the prospective long-term range of interest rates. The possibility of a long downward spiral, perhaps terminating around a 2% basis for government obligations and their equivalent, is again being discussed. Lately it has progressed out of the academic stage into practical consideration and even action.

Within the last week 2 outstanding life insurance companies have announced adoption of a 3% reserve and premium basis as contrasted with a 3½% rate heretofore. Their officials feel that the downward trend of interest rates will probably continue so that they can no longer earn the higher return on investments.

Reduce Maximum Rates

Simultaneously, the Federal Reserve Board has ordered a reduction from 3% to 2½% in the maximum interest that members may pay on time deposits after Feb. 1, and the Federal Deposit Insurance Corp. has extended the same ruling to banks under FDIC control, making it practically universal. A cut in the Atlanta Federal Reserve Bank's discount rate from 3% to 2½% is incidental since it only extends the lower basis ruling at other units of the central bank.

Cause and effect are intermingled in these developments, but they give a key to what the government wishes to do and can do with reference to interest rates. They also indicate that some of the best investment authorities feel that cheap money will be in order.

The cut in savings deposits rates does not mean much in itself since 2½% prevails in the larger centers now. The banks voluntarily, or under state authority, had brought returns to depositors down in line with the smaller returns they were receiving on investments. Higher rates had been continued by many country banks, however, and it had become a serious question if the ratio between interest paid on deposits and received on investments would provide enough earnings to keep them solvent.

Since the government agencies dictated a cut in depositors' interest to solve this situation, the clear presumption is that low interest is expected to continue on loans and securities. This is in line with the government's effort to bring mortgage interest down and to keep the short-term money market saturated with funds in the hope of forcing a demand for longer-term investments.

Of course, there is nothing new in the principle upon which the Treasury is working. Similar tactics have been employed since Andrew Mellon, as Secretary of Treasury, started his program of refunding and retiring the war debt. The Hoover Administration made liberal open market policies of the Reserve Banks a major part of its efforts to stem deflation in 1930.

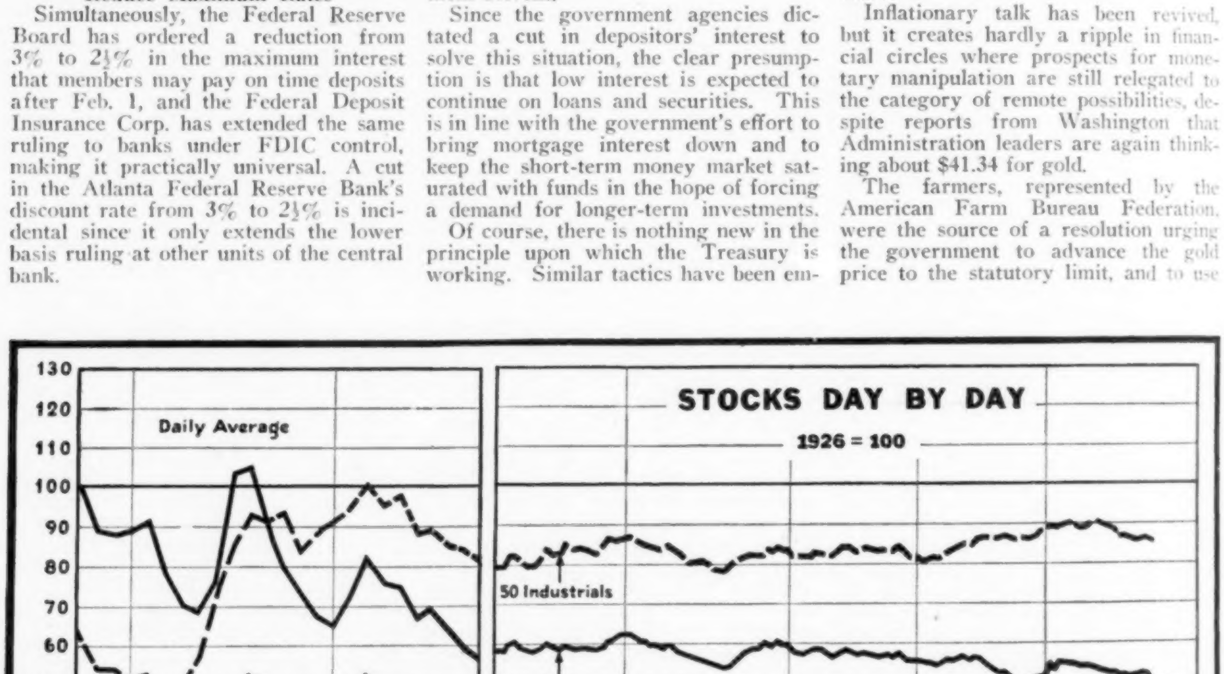
But the present Administration has broader controls than its predecessors, has extended its influence into new realms through its lending agencies and loan insurance machinery. If it does not force the issue too rapidly, continues to apply steady pressure, meanwhile directing its monet ry policies so as to leave private financial interests undisturbed, it may succeed in getting cheaper money. That means, of course, an extension of the ease on short-term paper into longer durations and lower types of investments.

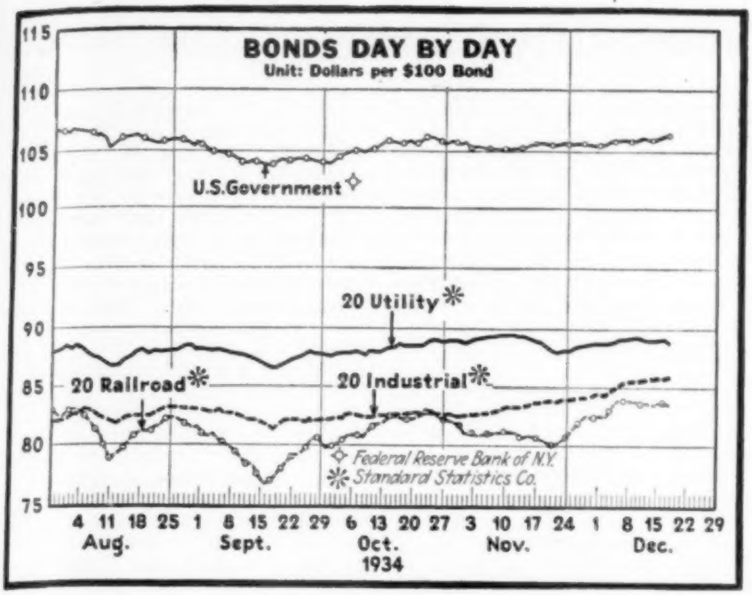
Easy Money—Higher Prices

From the standpoint of the individual investor or the business corporation there need be no concern about this prospect. Easy money should mean higher prices on outstanding securities and correspondingly lower returns. It should simultaneously revive the new capital market and, through that medium, provide new avenues of investment.

Inflationary talk has been revived, but it creates hardly a ripple in financial circles where prospects for monetary manipulation are still relegated to the category of remote possibilities, despite reports from Washington that Administration leaders are again thinking about $41.34 for gold.

The farmers, represented by the American Farm Bureau Federation, were the source of a resolution urging the government to advance the gold price to the statutory limit, and to use





the present and additional profit on gold revaluation in its spending program.

Mystery surrounded the inflationary news in the sudden weakness of the dollar in relation to the recently depressed gold currencies of Europe. Involved in this were rumors, that silver buying had been resumed in order to depress the dollar, and reports to the opposite, that all bids of the Treasury had been removed from the London silver market. Silver did drop precipitately in London, but whether it was frightened down by the second rumor in order to make under-cover purchases easier remained a question.

The most logical explanation of the reversal of foreign exchange movements was that European speculators had switched tactics. The ambitious program announced by the National Resources Board was used for their benefit. The Paris interpretation of the plan was that it involved increasing governmental extravagance and an inevitable cheapening of the dollar.

Stocks

LITTLE meaning can be read into the pre-holiday sessions of the stock market; such liquidation as comes from evening-up operations has little effect except upon the individual shares involved. The main body of stocks, meanwhile, drifts sideward. Group after group has been brought forward with a flourish that has promised momentarily to break the monotony, but no public following supports these attempts of professionals.

The Street is devoting much attention to the utiliy situation, but so far has formed no conclusion on the outlook for the industry. Particular note was made of the President's remark that there were utilities and utilities—thus implying that security of merit in this group need not be disturbed by the government's policy of getting lower power rates.

Sentiment continues bullish as reports from the steel centers and news of the housing program and mercantile business confirm the pickup in business.

In the unlisted markets, insurance stocks have been creeping upward as general improvement in the business, particularly for life and fire companies, is confirmed in annual reviews. Bank stocks have recently met some selling pressure but hold well above the low point of the year touched in September. A number of banks have indicated that again this year write-offs will reduce funds available for dividends; other institutions which took their losses through recapitalizations have been able to show only modest income.

Unlisted Issues Perplex SEC

The Securities and Exchange Commission has proceeded far enough with its investigation of the unlisted markets to realize the task confronting it in attempting regulation of some 90,000 issues that are traded over the counter. A few hundred of these are quoted daily through the unlisted departments of exchanges, a few others are traded actively enough to justify fairly regular price mentions in newspapers. For the great bulk there is no quotation service and scant financial information. Among other regulatory devices the commission is considering compulsory statements. That alone is a mammoth undertaking. A volume including all issues would rival a city directory.

Bonds

CUTTING the savings deposit rates for banks put new life into the market for government obligations and other highest-grade securities. Quotations on this class of issues have spurted sharply upward. In relation to bond prices, the interest reduction has two effects. It suggests that even low current yields on prime investments may look large in the course of time, if the predicted easy money market materializes. Furthermore, in cutting the cost of deposits to country banks, it enables that class of institutions to handle more governments than formerly.

Another source of support for the better-grade bonds is the tendency of corporations to dress up their balance sheets at the year-end. There was a considerable wave of liquidation from corporate accounts last summer, particularly of governments, and the general policy since then has been to restrict holdings to bills and certificates of short duration. Now, it appears that the attitude toward government credit has changed again and that Dec. 31 statements will contain large blocks of Treasury issues, including bonds. Meanwhile, there is a seasonal demand for any type of government security from investors in st.tes which levy a property tax against cash accounts at the year-end. An instance was reported of one bid of par for Treasury discount bills, which means that one buyer would hold them over the accounting period without any return in order to gain tax exemption for the funds involved.

Refunding Appears Likely

Spectacular strength in governments has renewed conjecture as to the possibility of a refunding being undertaken for the $1.8 billions of Liberty Fourth 4¼s ahead of their call date of Apr. 15. With other Treasury financing, excepting weekly bill offerings, out of the way for 3 months, there appears to be a good opportunity for the undertaking. The move of the banking authorities might be preparation for this and further developments of the same nature would not surprise the financial district. There the thought persists that the Treasury may still make a popular "patriotic" offering to take care of the maturity. A close watch is being kept over market-supporting activities from Washington. However, the various funds th t bought bonds earlier are liquidating them.

The emphasis upon gilt-edge issues overshadows, but does not replace, the persistent demand for higher-yield, but still well-rated bonds. This buying remains decidedly selective, however, and allows the speculative classifications to drift downward at the same time that new high prices are being registered elsewhere in the list.

New Offerings Popular

New offerings have taken a mild spurt, featured by the New York City financing. The city obtained $42.9 millions on serial maturities ranging up to 40 years at a net cost of 3.978%. Public offering was made of $40 millions at prices yielding from 2% on 2-year bonds to 4% on the longest maturities. Meanwhile, the initial offering of $6.1 millions Chicago & Western Indiana Railroad bonds sold so readily that bankers increased the amount by $1.6 millions with equal success. Another railroad issue came on the market through sale by the Reconstruction Finance Corp. It consisted of $13.5 equipment trust certificates of the Chesapeake & Ohio, purchased from the corporation by a banking syndicate and reoffered at prices yielding from 1.5% to 3.7% according to maturities which extend to 1949.

YOU WANT MORE ORDERS IN 1935 MR. EXECUTIVE ...BUT!...

... a couple of fellows in your company may be downright skeptical — your advertising manager — your sales manager.

They too want more orders—but they're wondering what you'll decide about advertising in 1935 —to help get those orders.

They know how advertising will help them make sales—how necessary it is if they are to realize your ambition for more orders in 1935.

So in your ambition for more orders provide this assurance — an adequate advertising appropriation.

FACTORY
MANAGEMENT & MAINTENANCE
330 WEST 42nd STREET, NEW YORK CITY

A. B. C. A. B. P.

Commodity Markets

SHARP reactions in grain prices and irregular tendencies in other actively traded commodities in which contracts are being closed out for the holiday season give the price situation a ragged appearance. Underlying this, however, there is a firm tone throughout the rank and file of actual goods. The supply situation is tightening up seasonally on many items, and consumption is broadening both seasonally and because of the increased demands of processing industries.

Receipts of agricultural products at terminal markets are dwindling just as cold weather moves food consumption up to the peak. Statistics from the rubber, cotton, wood, leather, metal trades confirms the better trade use of numerous other items.

Crop Regulation Assured

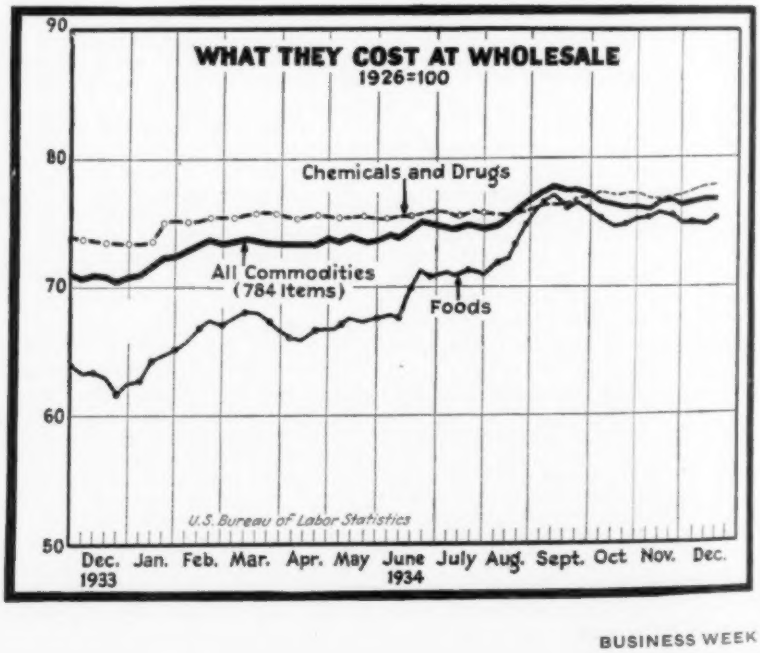
Planters' overwhelming approval of the Bankhead cotton control plan reversed the 1935 outlook for supplies of that staple and for several other governmentally controlled products. It was interpreted as a mandate for continuing strict regulation and makes the AAA seem an assured factor for another year. Now the question of 1935 crops hinges upon AAA policy, which has only been disclosed in general terms. In general, it will incorporate greater production than during the last year, when the drought accentuated the curtailment program, but it will keep a close control and will certainly provide loans against any surpluses to hold them off the market.

The favorable vote altered the situation in cotton's market, and next season's futures moved up to a parity with the current delivery month. Previously, the tight spot condition had held early futures at a sharp premium over distant contracts. Forward progress of prices is still impeded by selling against pool certificates, but the pool is now taking up the certificates so that there will not be another repetition of this type of liquidation. These certificates, issued to planters for cotton turned into the pool from the 1933 crop, have been used in the manner of a call by spot merchants who purchased them. Cotton was sold against them on rallies and repurchased on the ensuing breaks. The sellers were always in position to present their certificates and get cotton from the pool for delivery if the market continued upward while they were long. Certificates for some 300,000 bales were said to be involved but a considerable part of them are now back in the hands of the pool.

Sugar Traders Caught

The peculiar situation in sugar futures is being worked out after the formula customary in any corner. Traders who were short some 30,000 tons of sugar for December delivery (with none available) were up against a real corner. They had been trapped by the belief that Cuba would be unable to sell a large part of its quota at fixed prices and that distressed stocks would be available toward the close of the year. However, no such surplus resulted, and shorts paid the price of "he who sells what isn't his'n." The Cuban quota has been exhausted.

Reports from Boston of scarcity in sole leathers sound strange in view of the bearish talk on cattle hides last summer when the government was slaughtering animals from the drought areas. Shoe manufacturers are forced to pay premiums for prompt delivery in some instances. In hides the future prices have run ahead of spot, in contrast to most commodity trading, so that it is possible to sell futures and buy either for immediate delivery or resale to tanners at a profit.



Editorially Speaking—

LUSTIEST chanters of hallelujahs during the holidays will be merchants of Detroit, the town Santa Claus apparently selected as his 1934 pre-Christmas rehearsal ground. Some $84 millions have recently been distributed to 689,000 depositors in the closed First National Bank of Detroit. This equals $55 for every man, woman, and child in the city, and brought the total payoff to 70%. Such a wholesale passing-around of cash naturally precipitated a thumping advance on the retail stores, which suddenly found themselves doing an almost unprecedented business. Not forgotten, either, were the tax collector and private debtors, whose patience had been tried, as they say, sorely.

AT law-making NRA has backed even Congress off the map. Up to the middle of December the Recovery unit had poured out 10,269 administrative orders for 1934, a pace averaging over 200 a week. The gentlemen on "the hill" couldn't reach that record with a fishpole.

THE British Navy, in an effort to win for itself a bigger dish of public sympathy, has decided to follow our example and rename its new cruisers for cities. Instead of weighting the battle wagons with such mythical monster labels as Minotaur and Polyphemus, they will salve local pride by naming them Glasgow, Sheffield, Birmingham, etc. This breaks a tradition that antedates Nelson's time, and, for England, is something to hoist the flags about.

PERSONS hankering to see the world but with little time to spare should prick up their ears when they hear of this new airplane-steamer tieup that will whiz them around the globe in just 46 traveling days. Practically all except the long ocean hops will be made on established commercial airlines. The schedule starts with the *Europa,* sailing for Southampton on Jan. 12. Thence the route is through France, Switzerland, Italy to Greece, where Imperial Airways takes over. Passengers will zip over such fabled cities as Cairo, Baghdad, Calcutta, Bangkok, Singapore. Steamers then allow the voyageur to catch his breath. En route to San Francisco, the boat touches China, Japan, and Hawaii. From Frisco planes get the (slightly dizzy) tourist back to New York on Feb. 28. Thomas Cook & Son arranged the tour. Fare: $1,979.

POPULARITY of the Zephyr on its Omaha–Kansas City run has moved the Burlington to order an additional 40-passenger coach for the famed Budd-built streamlined train. In its first 30 days of business the Zephyr carried 69% more passengers than its steam predecessor did the preceding month. Distance traveled by passengers averaged more, too. A survey of Zephyr riders from Nov. 16 to Nov. 20 found 5% saying they would have traveled by automobile, bus, or plane, had there been no Zephyr. Burlington significantly points out that this proportion increased to 13% during the 25-day period of Nov. 16 to Dec. 10, while curiosity riders dropped from 18% to 12%.

A LITTLE initiative, $30,000, and single insertion advertisements in four magazines have not only cracked the American market for Brazil nuts ("niggertoes," to you); they have wiped out the entire supply of these nuts in the United States, and all that London dealers would spare from warehouse stocks. Besides 3.8 million pounds which were rushed from London, nearly 20 million pounds were sold from stocks already in this country. Housewives at the rate of 700 a day are requesting the booklet containing 54 "new recipes you have never tried," all of them including Brazil nuts. The Brazil Nut Association is waiting now for Brazil nut trees to furnish a new supply.

BUSINESS men who rubbed their eyes when they found that the sumptuous—and highly practical—office for Cities Service executives pictured in last week's issue was an office in an airplane have been wondering who is responsible. The answer is Henry Dreyfuss, widely known industrial designer. This was, of course, a part of the story that should not have been left out.

CLOTHIERS report increasing activity in the field of evening dress for men, with sales of swallow-tails averaging about 1 to 3 for the tuxedo. That's the best rate for full dress since 1929.

FEARING an influx of "floaters" with the start of volume automobile production, the Detroit City Council wishes everybody to understand Detroit does not and will not have jobs for outsiders. In a drive to publicize this, manufacturers were asked to confirm by letter the absence of jobs for migrants. Most firms are insisting that an applicant for a job must have been a resident for at least a year. Despite increased employment, the city's welfare load is at an all-time peak. But none of these things has stopped thousands of people from leaving their home towns and descending on Detroit and other automobile cities.

BACK UP YOUR AMBITION FOR MORE ORDERS WITH FACTORY

Advertising in FACTORY will help you build sales in the manufacturing industries . . .

. . . IF plant operating men buy what you sell . . . for more of these men subscribe to FACTORY than any other business publication.

. . . IF your product can be used in the important, worthwhile plants throughout the manufacturing industries . . . for these are the plants into which FACTORY will carry your advertising.

This one job FACTORY does best . . . a fact which accounts for more industrial advertisers using it in 1934 than any other paper serving the general manufacturing industries.

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MANAGEMENT & MAINTENANCE

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BUSINESS WEEK

The Journal of Business News and Interpretation

DECEMBER 22, 1934

A Good Job Takes Time

Congress seems determined to enact unemployment insurance legislation during the session that opens two weeks hence. The Administration has declared itself in favor of such enactment. There seems to be no vigorous opposition, in Congress or out. Polls of business men have shown large majorities in favor of the broad idea.

Fundamentally unemployment reserves are a mechanism for compelling the employed man to save money when he has a job against the day when he may have none, and of socializing the risk. This is true whether the funds are paid in by the worker, or by his employer, or by government, for in the end the money comes out of wages, either directly or through higher cost of manufactured articles, or through taxes.

That is not at all the same as saying it does not matter how the payments are made. The method matters greatly. Effect on workers' morale must be considered. Moreover, it matters greatly to business at what point and how the collections are made. Effects on national and/or state budgets are involved.

Fully aware of the fact that many commissions and committees and individual experts have produced voluminous reports on the subject, still we do not believe this Congress has before it sufficient information to enable it to act as wisely as it could say a year from now, the intervening time to be spent in further study and discussion. Little is to be lost by delay. No one proposes any plan which shall apply to those now unemployed, and those employed today stand in small danger of needing payments. Employment is going to increase, not decrease, over the next few years.

The crucial questions on which there is as yet no agreement are numerous. Anyone who has studied the matter at all is aware of some of them. But there is one which goes right to the heart of the whole matter to which almost no attention has been paid. That is the monetary aspect.

A select committee of the U. S. Senate made one of the most exhaustive studies. It estimated that on the basis of the British plan, this country would have had to disburse to the unemployed a billion and a third of dollars in the fiscal year 1930-31. This would presuppose reserve of say three times that amount, or $4 billions.

Where is this money to be invested? Wisconsin prescribes federal, state, county, and city securities. But suppose this done on a national scale, and the insurance fund to be liquidating securities at the rate of more than a billion a year in a market that is demoralized because banks and private investors also are scrambling to get liquid. Here would be another profound deflationary force.

To keep the reserves in cash would be unthinkable—that would be national hoarding on a staggering scale, deducting a huge sum each year from the circulating medium—again depressing prices and business.

A suggested solution is to keep the reserves in federal securities only, and discount them at par for Federal Reserve notes when the fund is called upon to liquidate. That would be inflationary, but a kind of inflation greatly to be desired at a time when unemployment was serious.

But this is an off-hand suggestion. It is something to be considered with great care, and tested against the advice of qualified critics. It is offered here as just one sample of the kind of questions to which no adequate study has been given, but on which, nevertheless, Congress is determined to legislate, instanter.

Now the Utilities Have Been Told

Many of the leading executives in the public utilities industry have been in consultation with the President and his advisors in recent days. They were not in complete agreement among themselves as to what could and should be done by the industry and in cooperation with the government to reduce the cost of improved service to the public and to restore public confidence in the industry without impairing the just claims of stockholders and creditors. They brought out of those conferences rather widely differing conclusions as to what the future attitude of the Administration might be. Many of them were inclined to believe that attitude might indicate a more liberal treatment of the utilities in the future. Perhaps their thinking was clarified by the latest pronouncement of the Federal Power Commission.

Thomas N. McCarter, president of the Edison Electric Institute, representing practically all of the private interest in electric light and power in this country, presented to President Roosevelt a thoughtful and courteous statement of the attitude of his organization toward such of those problems as now concern the federal Administration, outlining a plan for adjudicating contested issues. This proposal was referred to the Federal Power Commission "for consideration" and presumably for reply. In any event, Frank R. McNinch, chairman of the commission, promptly issued an intemperate and abusive statement which has one significance as Mr. McNinch's private opinion and quite another as a reply to a memorial to the President.

There have been unconscionable abuses in the public utility industry in recent years just as there have been in other businesses and in government. These are frankly admitted by all right-minded utility leaders and were admitted frankly in Mr. McCarter's memorial to the President. Obviously, the correction of these abuses has resulted in and will continue to bring about public benefits. Service rates to the public can and must be reduced. The logical thing would be to reduce them by the correction of past abuses which are universally deplored and by the sound merchandising of a vastly increased volume of output. It would seem that could best be brought about, in fairness to investors and to the public, by cooperative effort.

Efforts of the last week made it more obvious than ever before that this cooperation, if there be any, is to be had on the Administration's terms. Generally those terms are that rates are to be drastically and quickly reduced whether or not they are ever justified on a cost accounting basis.

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